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Daily Report

East Asia

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Daily Report

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ASEAN, Japan To Back ROK Bid for WTO Chair

*BK1901074195 Bangkok THE NATION in English
19 Jan 95 p A7*

[FBIS Transcribed Text] The six Asean nations and Japan have agreed to support South Korea's candidacy to be the founding chairman of the World Trade Organization, the Director-General of the Department of Asean Affairs, Sukhum Rasamithat, said yesterday.

Sukhum said agreement was reached yesterday, the first day of a two-day meeting of senior officials from Asean and Japan, during discussions on the world economic situation. They also reviewed progress in Asean-Japan political and economic cooperation.

South Korea, Mexico and Italy are vying for the WTO chairman's job. South Korea is one of Asean's seven dialogue partners, also including Japan, and a member of the Asia Pacific Economic Cooperation (Apec) forum. The Asean countries and Japan have all ratified the WTO agreement and are founding members.

Japanese backing is crucial for the South Korean bid. The dynamic Asean grouping and the booming East Asian economies are seeking a balance of interests in the world trade body to counter Western attempts to force open Asia's infant financial sector and to link non-trade issues with trade.

"Asean is very much concerned with ongoing attempts to link workers' rights, labour conditions and environmental issues to trade," said Thai chief delegate Pracha Khunakasem in his opening address.

Japanese chief delegate Sadayuki Hayashi said it was in the interest of Asean and Japan to together define the roles that Asia might have in the international community in the future, and to perform these roles through Apec and existing dialogue with Asean.

Hayashi said Japan wanted to work closely with Asean on the question of the management of the WTO and related issues such as relations between trade and the environment.

Hayashi, the Japanese deputy foreign minister, stressed the important role of Asean in elaborating the Apec Economic Leaders' Declaration of Common Resolve issued in Bogor, Indonesia, in November.

Japan, which will host this year's Apec leaders' informal summit and the Apec ministerial meeting, is responsible for drafting an action agenda to elaborate the Bogor Declaration in consultation with Asean.

He stressed that liberalization and facilitation of trade and investment should go in tandem with human resource development.

Japan Seeks ASEAN Input Prior to APEC Summit

*OW1801132895 Tokyo KYODO in English 1034 GMT
18 Jan 95*

[FBIS Transcribed Text] Bangkok, Jan. 18 KYODO—Japan wants to have close consultations with the Association of Southeast Asian Nations (ASEAN) in preparing to host the next summit meeting of the Asia-Pacific Economic Cooperation (APEC) forum, a Japanese delegate told ASEAN counterparts on Wednesday [18 January].

Japan wants ASEAN input on the process of drafting an action plan for procedural arrangements to lift trade and investment barriers in the APEC region by the year 2020 for putting on the agenda at the APEC meeting scheduled for November in Osaka, said a Thai delegate to the 14th ASEAN-Japan forum meeting in Bangkok.

The Japanese delegate added that consultations during the preparatory process constituted a major principle Japan will adhere to in tailoring the draft agreement on APEC trade and investment liberalization.

In February, Japan will host the first preparatory meeting for the APEC summit among senior officials of the 18 APEC member states in Fukuoka, southwestern Japan.

A separate meeting will be held for drafting of the action plan, the Japanese delegate said.

Japan and ASEAN, meanwhile, agreed that they will support the South Korean candidate for the post of first secretary general of the newly established World Trade Organization.

Former South Korean Trade Minister Kim Chol-su was nominated to the post and will run against two other candidates from Mexico and Italy.

ASEAN Intellectual Property Meeting Opens

*BK1801131595 Jakarta Radio Republik Indonesia
Network in Indonesian 1200 GMT 18 Jan 95*

[FBIS Translated Text] Minister of Justice Utoyo Usman told journalists that the government is now taking technical measures to create awareness of intellectual rights. This is done through the development of human resources, the establishment of a national documentation and information network, and assisting in the formation of related organizations.

The minister earlier opened the ASEAN regional meeting on intellectual property in Jakarta this morning. He said the government is not only strengthening the set of laws, but also is providing more efficient administrative support to promote the protection of intellectual rights.

The minister said that Indonesia currently is trying to revise existing laws on patent and marks rights and formulating new laws on industrial products design and trade secrets.

Japan

Further Reportage on Results of Kobe Earthquake

U.S. Forces To Provide Aid

OW1901052495 Tokyo KYODO in English 0514 GMT
19 Jan 95

[FBIS Transcribed Text] Tokyo, Jan. 19 KYODO—Japan will accept 37,000 blankets from the United States for victims of Tuesday's [17 January] devastating earthquake in western Japan's Kansai region, a government spokesman said Thursday.

Chief Cabinet Secretary Kozo Igarashi told a news conference the government has accepted U.S. President Bill Clinton's offer, making it the first time for Japan to receive disaster assistance from U.S. troops stationed in Japan.

The troops will transport the blankets immediately via airplane from the U.S. Air Force Base in Yokota outside Tokyo to Osaka airport, where they will be picked up and distributed by Japanese Self-Defense Forces personnel.

Igarashi also indicated they will discuss the possibility of accepting additional assistance "when necessary."

Meanwhile, Foreign Minister Yohei Kono thanked U.S. Ambassador to Japan Walter Mondale by phone Thursday for the upcoming relief efforts by U.S. Forces in Japan, to which Mondale replied by saying they would further cooperate as needed. Foreign Ministry officials said.

Late SDF Dispatch Defended

OW1901102795 Tokyo KYODO in English 1016 GMT
19 Jan 95

[FBIS Transcribed Text] Tokyo, Jan. 19 KYODO—Chief Cabinet Secretary Kozo Igarashi on Thursday [19 January] defended the rescue efforts by the Self-Defense Forces (SDF) in the wake of Tuesday's killer quake in western Japan.

The troops have taken all possible measures to help the victims of the devastating quake, the top government spokesman said at a news conference, countering criticism about an alleged delay in the SDF's rescue efforts.

Igarashi's comment came shortly after Deputy Chief Cabinet Secretary Nobuo Ishihara conceded the government should do some soul-searching about the delay in the SDF's activities.

Ishihara had also pointed out the SDF should have offered assistance on its own accord to the local governments concerned instead of following normal procedure of awaiting requests for cooperation.

Article 83 of SDF Law stipulates that local governments can seek the dispatch of SDF units in times of natural

calamities. This means the SDF is not allowed to decide on its own on the sending of its troops in rescue efforts.

But critics charge that the article allows the SDF to send its units when it is deemed too urgent to wait for requests from local autonomies.

Igarashi reiterated the government has done its utmost to help the victims and has sought further cooperation of citizens and the private sector in helping evacuees.

The Defense Agency said Thursday it will dispatch 13,000 SDF personnel to assist with rescue and recovery operations in earthquake-devastated areas.

Some 1,300 troops of the Ground Self-Defense Force and 75 helicopters will be dispatched to assist with the transportation of emergency goods to Kobe and the surrounding area ravaged by Tuesday's predawn quake.

Large construction machines and SDF engineers are also being sent to assist with recovery efforts.

Seventeen vessels of the Maritime Self-Defense Force will be used to transport goods while the Air Self-Defense Force will also assist with the shipping of goods.

Prime Minister Tomiichi Murayama and other government leaders decided Wednesday to order the dispatch of SDF personnel, who were instructed to assist with the search for missing people and to secure food supplies for people in the area.

APEC Meeting Not Affected

OW1901043895 Tokyo KYODO in English 0415 GMT
19 Jan 95

[FBIS Transcribed Text] Tokyo, Jan. 19 KYODO—Chief Cabinet Secretary Kozo Igarashi said Thursday the strong earthquake in western Japan on Tuesday will not affect the schedule for the Asia-Pacific Economic Cooperation (APEC) forum meetings to be held in November in Osaka.

Igarashi said there is no schedule change so far, concerning the hosting of the meetings, noting they will be held in Osaka, which suffered little damage in the quake.

The disastrous quake struck early Tuesday in southern Hyogo Prefecture, which adjoins Osaka Prefecture.

Finance Ministry's Measures

OW1901095595 Tokyo KYODO in English 0945 GMT
19 Jan 95

[FBIS Transcribed Text] Tokyo, Jan. 19 KYODO—Vice Finance Minister Jiro Saito said Thursday [19 January] his ministry will take every possible fiscal and monetary measure to help rehabilitate those people and areas affected by Tuesday's killer quake in western Japan.

"We will take thorough fiscal and monetary measures," Saito told a press conference.

Asked about the possibility of another supplementary budget for fiscal 1994, ending March 31, Saito only said, "first of all we have to fix the amount of damage but it's not in sight yet."

Saito reiterated the ministry will take all possible measures not to allow any delay in repair work, and said local governments could pay in advance for the government, which would compensate them later.

As to damage incurred by financial institutions in the Kinki region in western Japan, Saito said about 210 of 600 banking outlets there are still closed, describing the number as "considerable."

As an exceptional step, financial institutions in the region will open as many outlets as possible this weekend, he said.

Banks' Special Measures Noted

*OW1901082095 Tokyo KYODO in English 0809 GMT
19 Jan 95*

[FBIS Transcribed Text] Tokyo, Jan. 19 KYODO—Japan's three domestic long-term credit banks will bail out victims of Tuesday's [17 January] major earthquake in western Japan by allowing special cancellation of savings instruments including time deposits, bank officials said Thursday.

The measure, valid until March 31, will enable deposit holders to cash in their instruments ahead of their maturity without penalty.

The Industrial Bank of Japan, the Long-Term Credit Bank of Japan and Nippon Credit Bank are also considering emergency loans for reconstruction and various other needs, while granting delays for paying back existing loans, the officials said.

JAMA's Toyota Willing To Talk With U.S. Officials

*OW1901135795 Tokyo KYODO in English 1206 GMT
19 Jan 95*

[FBIS Transcribed Text] Tokyo, Jan. 19 KYODO—U.S. Ambassador Walter Mondale did not mention in a Thursday [19 January] meeting a U.S. plan for government-industry negotiations to boost Japanese automakers' purchases of foreign parts, Japanese auto industry leader Tatsuro Toyoda said.

Toyota, chairman of the Japan Automobile Manufacturers Association [JAMA] and president of Toyota Motor Corp., told a news conference that when he talked with the U.S. envoy in a meeting scheduled since last year, Mondale did not refer to a U.S. Government desire to negotiate directly with Japanese industry.

U.S. Officials could not be reached for comment.

The Japanese Government and its auto industry have both rejected the idea of such talks as inappropriate, saying private business decisions are beyond the scope of bilateral negotiations.

Toyoda said he visited Mondale at the U.S. Embassy, explaining such recent conditions as the surge in U.S. auto imports. He said he elicited Mondale's understanding that Japanese makers are willing to buy U.S. parts and that Japanese dealers can freely handle imports.

Mondale "nodded quite a lot as he listened to my explanation," Toyoda said. "He did not talk about Japan-U.S. negotiations."

Toyoda said that if asked, he would be willing to talk with U.S. Commerce Department officials "to deepen understanding." But he again rejected public-private sector negotiations, adding, "We are not thinking of changing our autonomous foreign-parts purchasing plans."

Aviation Talks To Resume 'Probably' in March

*OW1901120595 Tokyo KYODO in English 1140 GMT
19 Jan 95*

[FBIS Transcribed Text] Tokyo, Jan. 19 KYODO—Japan and the United States have agreed to resume civil air transport talks, suspended in August 1993, the Tourist Ministry said Thursday [19 January].

The U.S. proposed resumption last weekend, and Japan agreed.

Working-level talks will be held, probably late in March, mainly on the agenda of formal negotiations on the proposed revision of the bilateral civil air transport agreement, ministry officials said.

Japan earlier proposed a revision of the agreement, which is somewhat unfavorable to its interests, but the U.S. has been reluctant to negotiate any amendment.

Under the circumstances, Japan notified the U.S. at the end of last year that it will not permit any U.S. airline to initiate a new service between the two countries. The U.S. has subsequently agreed to hold pact revision negotiations with Japan.

In upcoming working-level talks, the U.S. is likely to call on Japan to permit U.S. airlines to fly into Kansai International Airport.

Japan will probably demand that the U.S. hold down the exercise of its "beyond" air traffic right, whereby it can operate services to third nations beyond Japanese airports almost without limitation.

Japan is also expected to call on the U.S. to permit Japanese airlines to initiate more services to the U.S. than Japan will authorize U.S. companies to inaugurate new services to Japan.

Transport Ministry To Ease More Regulations*OW1801135595 Tokyo SANKEI SHIMBUN in Japanese 17 Jan 95 Morning Edition p 1*

[FBIS Translated Text] The Ministry of Transport [MPT] has decided to abolish on 1 April 45 regulations involving the issue of approvals and permissions for various services, such as special railway fares and cargo transportation. The number of services needing MPT approvals will drop to 1,639 as of 1 April, 61 fewer than last year.

The plan to abolish those regulations had been already reported to the Management and Coordination Agency, but has not been implemented yet.

In deciding special railway fares, such as first-class carriage fares and berth charges, and discount fares for buses and passenger boats, companies will not need to obtain ministry approval, but rather simply submit notification. Resumption of ski lift operations after suspensions longer than one-year will only require submission of notification.

Forwarding companies will not need to apply for ministry permission nor submit notifications when deciding corporate regulations on subordinate services, and charges for them. Ropeway fares will also be decided without ministry approval, and travel agencies will not need to notify the MPT of decisions to dissolve companies.

Government Asks U.S. To Improve FMS Compliance*OW1101065095 Tokyo NIHON KEIZAI SHIMBUN in Japanese 10 Jan 95 Evening Edition p 1*

[FBIS Translated Text] The government has asked the U.S. Department of Defense [DOD] to improve its compliance with the "Foreign Military Sales (FMS)," which defines how government contracts on procurement of defense equipment should be carried out. Due to recent cases of delay in the delivery of missiles to be carried on escort vessels, the government has asked the DOD to deliver the equipment on time. Moreover, if equipment is procured directly from the United States under the FMS, Japan cannot expect concerned technology to flow back. Therefore, the government has judged that a guarantee of smooth compliance is inevitable to the expansion of "Technology for Technology" exchanges in defense. And the United States has given its word to deal adequately with the FMS.

Cooperation in equipment and technology between Japan and the United States is based on the framework stipulated in the "Agreement on Japan-U.S. Mutual Defense Assistance" signed in 1979. And based on this agreement, the two nations have engaged in FMS or licensed production, and joint research and development.

According to the FMS, in procuring equipment the Japanese and U.S. Governments should, first of all, sign a contract. And in the initial period, F-15 fighters as well as P3C antisubmarine patrol aircraft were procured under the FMS.

The United States imposes strong expectations on Japan for promoting "Technology for Technology" exchanges in research and development of new equipment.

MOFA To Campaign for Indefinite Extension of NPT*OW1901022795 Tokyo TOKYO SHIMBUN in Japanese 17 Jan 95 Morning Edition p 2*

[FBIS Translated Text] Japan has maintained that the Nuclear Nonproliferation Treaty (NPT) be extended indefinitely. With a conference on reassessment of the Nuclear Nonproliferation Treaty (NPT) set to be held in New York beginning 17 April, however, the Ministry of Foreign Affairs [MOFA], which is increasingly wary of the possibility of extending the NPT permanently, has decided to launch a diplomatic effort to persuade non-aligned nations that are against indefinitely extending the NPT. This was disclosed by a Foreign Ministry source on 16 January.

The Foreign Ministry is concerned that if the NPT is extended with a time limit instead of being extended permanently, "there is a fear that the NPT could come to an end after the time limit expires," says the same Foreign Ministry source. The Foreign Ministry, therefore, has decided to do all it can do to persuade the nonaligned nations to go along with the indefinite extension of the NPT. Both ruling and opposition parties in Japan have voiced caution about an indefinite extension of the NPT.

According to a survey by the Foreign Ministry, the NPT is affiliated with 168 nations and for the NPT to be extended indefinitely, 85 member nations, or a majority of the total, must support this at the conference. For now, however, only 65 member nations support extending the NPT permanently.

Meanwhile, about 25 member nations are in favor of extending the NPT with a time limit, and many of them are asserting that the NPT be extended for 5-25 years.

The remaining 80 member nations have yet to make clear their position on extending the NPT, and most of those are nonaligned nations. They are, in fact, cautious about extending the NPT permanently.

Contracts Signed for 30 Flights to North Korea*OW1901120695 Tokyo KYODO in English 1030 GMT 19 Jan 95*

[FBIS Transcribed Text] Tokyo, Jan. 19 KYODO—Travel agencies will arrange some 30 direct flights to North Korea from Japan from April 22 to May 7 with

the aim of sending about 5,000 tourists to an international sports festival in Pyongyang, officials said Thursday [19 January].

The flights have been planned by Japan Travel Bureau Inc. (JTB), a leading Japanese travel agency, and Chugai Travel Co., a tourist firm affiliated with the pro-Pyongyang General Association of Korean Residents in Japan (Chongryun).

Officials of Chugai said the two firms have already signed contracts on the plan with a North Korean counterpart, Korea International Tourist Bureau.

JTB plans to cater for 12 flights from Niigata, while Chugai will arrange 15 flights from Nagoya and four from Niigata.

The two firms will also handle passenger applications for tourist visas, officials of Chugai said.

North Korea began accepting foreign tourists again last August after a suspension resulting from diplomatic problems, including nuclear issues.

North Korea said some 10,000 foreign tourists will be allowed to attend the sports festival.

The international sports and cultural festival will be held on April 28-30 and feature martial arts demonstrations, mass gymnastics exercises and wrestling.

Space Project With Germany Ends in 'Failure'

OW1901105795 Tokyo SANKEI SHIMBUN in Japanese 17 Jan 95 Morning Edition p 22

[FBIS Translated Text] On 16 January, the Education Ministry's Institute for Space and Astronautical Science [ISAS] announced that the "Express," a recoverable experimental satellite developed jointly by Japan and Germany, had gone out of a scheduled orbit. The satellite was launched by an M3S2 rocket from the Uchinoura Space Center in Kagoshima Prefecture on the night of 15 January. The institute said there was high possibility that the Express had fallen into the Pacific Ocean. It suspected trouble in the control system of the rocket posture caused the failure. The joint space project in which Japan and Germany invested about 16 billion yen has ended in a complete failure.

According to the ISAS, the satellite was launched at 1045 PM [1345 GMT] on 15 January. Although the first stage of the rocket traveled properly, the second stage flew at an altitude 40 km higher than the planned course. The ISAS transmitted command signals to change the course, but it lost track of the satellite after the third stage of the rocket was ignited.

After that, electric waves from the satellite were recaptured at the Uchinoura Space Center for seven minutes from 0019 AM on 16 January, and for 30 seconds from

0102 AM on the same day in Santiago, Chile. But that was the last time that scientists captured signals from the Express.

German space developers in charge of controlling the satellite in the project announced: "It seems the Express has fallen into the ground after it circled the earth two or three times." They said there was high possibility that the satellite had plunged into the Pacific.

Scientists suspect trouble in the system in the second stage of the rocket to control the rocket posture caused the failure. They also suspect a communications system in the satellite developed trouble, because they failed to confirm whether or not the Express was released from the rocket in the final stage.

The ISAS has not insured the launch against accident.

Tokyo Said To Review Policy Toward Russia

OW1901091895 Tokyo NIHON KEIZAI SHIMBUN in Japanese 17 Jan 95 Morning edition p 2

[FBIS Translated Text] In view of the volatility of the Russian domestic political situation due to the confusion brought about by the civil war in Chechen, and the postponement of Foreign Minister Andrey Kozyrev's scheduled visit to Japan in January, the government has begun to review its deadlocked policy toward Russia.

As international apprehension concerning Russian security policy is expected to heighten, Japan will call for the promotion of bilateral and multilateral dialogues. It will forego attempts to push for an early solution to the pending territorial issue between the two countries, and will watch developments in the Russian political situation closely.

Issei Nomura, director general of the Ministry of Foreign Affairs's [MOFA] European and Oceanic Affairs Bureau, held a meeting with Russian Deputy Foreign Minister Aleksandr Panov in Moscow on 9 January to discuss Kozyrev's visit to Japan and future Japan-Russia relations. Subsequently, MOFA reviewed its policy and reconfirmed its position that "Japan need not beg him to come," (according to a top MOFA official).

With regard to policy toward Russia, the "Tokyo Declaration" issued during President Boris Yeltsin's visit to Japan in October 1993 reaffirmed the intention to continue negotiations on the territorial issue. However, the domestic political situation in both countries experienced confusion subsequently, as a result of which First Vice Prime Minister Oleg Soskovets could only reconfirm the Tokyo Declaration during his visit in November 1994. Japan has lost access to a breakthrough in diplomacy toward Russia, including in the negotiations on fishing operations in the vicinity of the northern territories.

Companies To Form Joint Cement Venture in Vietnam

OW1201150495 Tokyo KYODO in English 1153 GMT 12 Jan 95

[FBIS Transcribed Text] Tokyo, Jan. 12 KYODO—Nihon Cement Co. and Mitsubishi Materials Corp. said Thursday [12 January] they are tying up for the first Japanese foray into the cement business in Vietnam.

The two will set up a 50-year joint venture, capitalized at 104 million dollars, with the state-run Vietnam Cement Corp. aimed at starting production in 1999, the Japanese companies said in a statement.

The Vietnamese partner will contribute 35 percent to the venture, to be called Nghi Son Cement Corp., while the Japanese side will put up 65 percent of the capital through a company 70 percent owned by Nihon Cement and 30 percent by Mitsubishi Materials.

The partners will sign the contract Jan. 20 in Hanoi to found the venture in the Nghi Son district some 200 kilometers south of the capital, they said.

The venture will invest 347 million dollars to build a factory employing 472 people to produce a planned 2.27 million tons of cement a year, drawing on nearby limestone mines with an estimated capacity of 200 million tons, the companies said.

They said Nghi Son Cement will ship 60 percent of its production within Vietnam to supply the nation's booming construction sector and ship the rest to such other Southeast Asian areas as Singapore, Taiwan and Hong Kong.

Hanoi is considering inviting joint ventures from Taiwan and Switzerland as well to meet its burgeoning cement needs. With demand for 6.5 million tons of cement last year, Vietnam had to import 2.6 million tons to supplement its insufficient domestic production ability.

Article Details MITI Internal Power Struggle

OW1901065295 Tokyo SHUKAN DAIYAMONDO in Japanese 21 Jan 95 p 15

[Article by Yoji Fukuyama; from the "Business Inside" column]

[FBIS Translated Text] On the surface, the internal conflict in the Ministry of International Trade and Industry [MITI], which started in late 1993 with the "dismissal of Director General Masahisa Naito of the Industrial Policy Bureau," has ended with the unexpected resignation of Administrative Vice Minister Hideaki Kumano, and the start of a new leadership.

However, officials in the ministry claim that, "Far from reaching a solution, this is the start of a new power struggle." The MITI is in a state of tension right after the new year.

Appointments of new senior officials, dated 28 December, announced after the retirement of Kumano and Sozaburo Okamatsu, deputy vice minister, who joined MITI in 1960, include the promotion of Tomio Tsutsumi as administrative vice minister, and Yoshihiro Sakamoto as deputy vice minister, both from the group of 1962; the promotion of Tsutomu Makino (group of 1963) from director of the minister's secretariat to director general of the Industrial Policy Bureau; the promotion of Hisashi Hosokawa (group of 1964) from director general of the Basic Industries Bureau to director general of the International Trade Policy Bureau; and the promotion of Katsuhiro Nakagawa (group of 1965) from director general of the International Trade Administration Bureau to director of the minister's secretariat.

At first glance, these appointments seem to be typical Kasumigaseki [center of the national bureaucracy in Tokyo] personnel placements based on seniority. However, a middle-ranking bureaucrat explains, "People said to have been involved in the dismissal of Mr. Naito now have a perfect hold on key positions in the ministry. These are clearly appointments to rehabilitate the anti-Tanahashi [Yuji Tanahashi, former administrative vice minister], Naito faction."

It is said that Akira Takashima, director general of the Patent Office and Hosokawa, Masataka Nakano, and Takeshi Isayama (both from batch 1965) were the "gang of four" who led the moves to dismiss Naito. Within the MITI, officials had hoped that they would be punished in some form along with Kumano's resignation to take responsibility for the 1993 affair.

On the contrary, Hosokawa now occupies an important position in trade negotiations; Nakano has been promoted from councilor in charge of the Industrial Policy Bureau to the important post of deputy director general of the Information Industries Bureau; and both Takashima and Isayama are keeping their jobs.

Anxiety is spreading among younger ministry officials. They are "most dissatisfied with the fact that a fierce power struggle may occur between the gang of four, who aim at full rehabilitation, and the opposing faction, because Vice Minister Tsutsumi and Director Nakagawa, who hold appointment powers, both take a strictly nonpolitical attitude."

While Tsutsumi vigorously appeals for "intraministry harmony," anonymous letters are already making the rounds in the MITI, complaining of the "illegitimacy" of the recent appointments.

It will take some time for this internal conflict to subside. With this power struggle going on, the MITI will not have any time to deal with the consolidation or abolition of special public corporations—the centerpiece of the government's administrative reforms.

SDPJ 'Rebel Group' Quits Parliamentary Bloc

OW1701022195 Tokyo KYODO in English 0214 GMT
17 Jan 95

[FBIS Transcribed Text] Tokyo, Jan. 17 KYODO—The leader of a rebel group within the Social Democratic Party (SDP) [of Japan, SDPJ] notified the SDP on Tuesday [17 January] that the group is quitting the party's parliamentary bloc.

Sadao Yamahana, leader of the breakaway group, the New Democratic League (NDL), submitted the notice to Churyo Morii, chairman of the Diet Administration Committee of the SDP, one of the three ruling coalition parties.

The notice included a list of 24 SDP Diet members—17 from the House of Representatives, including Yamahana, and seven from the House of Councillors—who will no longer be in the SDP lineup in parliament.

The NDL members and five other legislators on Monday set up the parliamentary bloc Minshu Rengo-Minshu Shinto Club (Democratic League-Democratic New Club) as a precursor for a new party they plan to form.

They will notify the formation of the parliamentary bloc to both chambers Wednesday, two days before the 150-day ordinary Diet session starts.

The Central Executive Committee of the SDP will hold a meeting Tuesday to discuss whether to expel Yamahana, who was the predecessor as party chairman to Prime Minister Tomiichi Murayama, and the other 23 NDL members.

The SDP rebels are planning to form a new party to rival the two biggest conservative parties—the SDP's coalition ally, the Liberal Democratic Party, and the new opposition party Shinshinto [New Frontier Party].

LDP, Liberal League Form Joint Diet Bloc

OW1901131695 Tokyo KYODO in English 1227 GMT
19 Jan 95

[FBIS Transcribed Text] Tokyo, Jan. 19 KYODO—The ruling coalition Liberal Democratic Party (LDP) and the opposition Liberal League formed a joint parliamentary group in the House of Representatives while the opposition Shinshinto (New Frontier Party) and Komei launched a unified parliamentary bloc in the House of Councillors on Thursday [19 January].

The strength of the LDP-liberal league is 208 in the 511-seat lower house, while that of the joint parliamentary group by Shinshinto and Komei, called Heisei Kai, is 47 in the 252-seat upper house.

The Liberal League includes Keigo Ouchi, former chairman of the now-defunct Democratic Socialist Party, and former Foreign Minister Koji Kakizawa.

KYODO Updates Parliamentary Group Strength

OW1901131295 Tokyo KYODO in English 1229 GMT
19 Jan 95

[FBIS Transcribed Text] Tokyo, Jan. 19 KYODO—The following is a table of parliamentary strength in both houses of the Diet following the formations of new parliamentary groups on Thursday [19 January]:

Lower Houses			
Upper House			
Ruling coalition			
LDP-Liberal League	208	LDP	95
SDP	70	SDP	66
New Party Sakigake	21		
opposition			
Shinshinto	176	Heisei Kai	47
JCP	15	Shin Ryokufu Kai	15
New Democratic Club	3	JCP	11
Niin Club	5		
Shinto-Goken Liberal	5		
Independents	14	Independents	8
Vacancies	4	Vacancies	0
Total	511		252

[SDP (Social Democratic Party of Japan); New Party Sakigake (Harbinger); Shinshinto (New Reform Party); JCP (Japan Communist Party)]

Tokyo's Land Prices Compared With Other Cities

OW1601085395 Tokyo KYODO in English 0806 GMT
16 Jan 95

[FBIS Transcribed Text] Tokyo, Jan. 16 KYODO—Land prices in Tokyo are seven times higher than in New York and office rents are four times higher than in Frankfurt, Germany, the National Land Agency said in a report released Monday [16 January].

The agency conducted the survey last October and November, sending questionnaires to 252 branches of Japanese and foreign banks in 20 cities, known as international financial centers, in eight countries. Of them, 148 replied.

The report shows the average price of land per square meter in Tokyo was 4,670,000 yen, compared with 2,393,000 yen in Seoul and 667,000 yen in New York.

The average monthly fee per square meter to rent an office in Tokyo was 13,700 yen, up sharply from only 8,100 yen in New York, 7,300 yen in Paris and 3,200 yen in Frankfurt, the report said.

The ratio of the cost for obtaining land to total expenses for opening a branch office was 38 percent in Japan, surpassing the 35 percent in South Korea, the survey shows.

Compared with other Asian cities, 100 percent of the respondents in Seoul, 91 percent in Singapore and 77 percent in Hong Kong answered that land prices in Tokyo are comparatively high.

The survey's results coincide with a recent trend among foreign banks to shift their offices from Tokyo to Singapore in cost-cutting efforts to avoid higher rental fees, industry sources said.

Increase in Large Retail Store Disputes Noted

952A0215A Tokyo NIHON KEIZAI SHIMBUN in Japanese 22, 23 Nov 94

[Article in two installments by Osaka Distribution Economic Department reporter Kazunori Iwamoto: "Large Retail Store Disputes Spreading"]

[22 Nov 94 p 15]

[FBIS Translated Text] Confrontation in "Calm Zone" Over Opening Branch: Large Retail Store Councils Lean Toward Local People

Disputes with small and medium merchants over opening branches of supermarkets and so on have spread to every area. Although, on the one hand, the provisions of the Large Retail Store Act were relaxed in January 1992, and branches of large stores were opened in succession in every area, management of small and midsize shops has been driven into a corner because of the price-cutting offensive of major supermarkets. Examples have increased in which the floor area of large stores has been greatly reduced by Large Retail store Councils in response to the reaction of small and midsize shops against the large stores, and major distributors are also strengthening a showdown posture. I inspect the background of the spreading disputes over opening branches, and the current state of the system for coordinating the opening of branches.

Even Examples of 70 Percent Reduction of Area

Mibu in Nakagyo Ward of Kyoto, is a quarter devoted to Yuzen printed silk. One corner of Mibu is completely covered by posters and standing signboards on which are written such things as "Unflinching Opposition to Opening Branch Stores" and "Do Not Permit Destruction of the Environment." It is the area around a site on which a semi-major supermarket, Life Corporation, is planning to open a supermarket as early as some time in FY95.

In 1981 the municipal assembly adopted a declaration freezing large stores, so after that Kyoto City was a calm distribution area in which virtually no branches of large stores were opened. But after the 1992 relaxation of

regulations, beside Life, such large stores as Daiei and Jusco worked out in succession plans for opening large shopping centers, so the situation is changing completely.

The Kyoto Shopping District Association holds that "The minimum conditions are a cut of 54 percent for Daiei, and of more than that for Jusco," and Chairman Shinya Ohashi says with a serious expression: "There will be trouble if the conclusion of the Large Retail store Council falls short of these conditions." In opposition to this, President Isao Nakauchi of Daiei says "a cut of 54 percent would run counter to the relaxation of regulations." And President Nobutsugu Shimizu of Life also gives no sign of backing down a single step, saying, "Depending upon the conclusion of the Large Retail store Council next spring, we will not hesitate to sue."

Already, cases in which the requested shop-area is greatly reduced have increased in every area. The "Shimokawabara Shop" which mainstay supermarket Tagonoe (Yaizu City, Shizuoka Prefecture) opened in Shizuoka City in July 1994 was reduced by about 60 percent from the requested area of approximately 2,600 square meters, and in Yamaguchi City the discount store "The Big," which Midori opens for business on 25 November, was reduced by about 70 percent from the approximately 8,700 square meters which it requested. Tagonoe president Reizo Sone spits out: "What relaxation of regulations! I have to pay the amount for the scheduled area for land rent, so I will never make a profit. I will apply to increase floor space as early as next year."

When Nihon Keizai Shimbun Inc. surveyed the results of the conclusions of hearings of the Large Retail Store Council for eight Trade and Industry Bureaus throughout Japan, the rate of the number of items in which they reduced the area requested by type-one large stores for opening branches or increasing floor space rose from 23.2 percent for January 1992 to March 1993 to 39.0 percent in FY93, and about the same level has continued in FY94 also. Items for which the area was reduced by 30 percent or more account for just under one-half of these.

"No Basis for Rate of Reduction"

It is not only in regions where opening branches has increased rapidly; cases stand out in which supermarkets, which deal mainly in food, and for which competition with shopping districts is fierce, are greatly reduced. In 1994 such stores as York Benimaru's Hirano store in Fukushima City and Marunaka's (Takamatsu City) Shin Naruto store in Naruto City Fukushima Prefecture were reduced by 40 to 50 percent. Furthermore, discount stores are also being reduced severely.

The chairman of a certain Large Retail Store Council in western Japan reveals that: "Unfortunately there is, for example, no objective basis for the rate of area-reduction. Commercial data and so on is no help, so I have not used it even once. In the majority of cases we

reach a conclusion in accordance with local opinion centered on merchants." He says: "It is scary when I wonder what we should do if we were asked to show the reason for the conclusions of the hearings."

The Ministry of International Trade and Industry says: "Large Retail Store Councils are judging in a comprehensive manner while respecting local opinion," (Commercial Distribution Councilor Yuji Kiyokawa). But, actually, it appears that in most examples they conclude the hearings by relaxing somewhat the rate of area reduction which has come up from the Chamber of Commerce and Industry.

An executive of a certain major supermarket complains that: "It is still common to be asked by the shopping district to pay, as promotion money, about 3,000 yen per square meter of store area, and more than 4,000 yen in western Japan. It decreased to roughly one-half of what it was in the old days...." In Shizuoka City a virtual prior explanation to the local people, which is supposed to have been abolished, survives under the name "ground leveling." Even now, behind-the-scenes spadework, collusion, and money are apt to be associated with coordination to open branches.

Demand Abolition of Large Retail Store Act

Keidanren is strengthening an offensive against this, saying: "We want to drive the Large Retail Store Act into staged abolition." In the written request on relaxation of regulations that it submitted to the government on 17 November 1994, it incorporated "staged abolition of the Large Retail Store Act" as the highest-priority task for the distribution field.

After the 1992 relaxation of regulations, the period of coordination for opening a branch after application by a large store was shortened to one year as publicly promised, so opening of branches was "deregulated." But competition between large stores and small and mid-sized stores has become more and more acute, and is amplifying the difficulty of adjusting area. Now, when large stores are taking root throughout Japan, the meaning of the Large Retail Store Act, "which inherits the tone of the policy of protecting small and mid-sized business, which has existed since the Department Stores Act" (Professor Takemasa Ishihara of Osaka Municipal University), is being questioned.

[23 Nov 94 p 10]

[FBIS Translated Text] Opposition Campaign Spreads, Reflects Hollowing Out of Central Districts; Devising of Town-Improvement Image Required

Recently a new form of branch-opening dispute has arisen in areas in which the campaign of small and mid-sized merchants against large retail stores had been weak up till now. In Komaki City in the northern part of

Aichi Prefecture, local public bodies have reacted fiercely against the opening of a suburban shopping center.

City Reacts Against Shopping Center Plan

At the end of 1993 the city was jolted by Jusco's announcement that it would build a suburban shopping center. Overall, it would be 28,000 square meters, the largest in the Chubu region, and would greatly exceed the Station-Front Redevelopment Building (approximately 14,000 square meters) which the city was in the process of building. Saying that "customers will be taken away, so profits will go off track," Mayor Kaoru Sabashi announced that he would "wrack his brains to prevent it."

The Redevelopment Building has been the city's "earnest wish for over 20 years" (Commerce and Industry Department Chief Osamu Nagai). It is a project of the highest priority in which 18 billion was invested, which corresponds to approximately 40 percent of the general account. The city is unyielding, saying, "We want to revitalize the station-front shopping district, where the number of shops has declined by one-half compared to its best days. We will not permit the opening of a branch which could very well crush the plan to create the city's image," but Jusco, too, says, "At present we have no intention of withdrawing the plan" (executive).

Behind the Komaki dispute is such hollowing out of city centers as an increase in vacant shops. It is not rare for suburban-type shopping centers with shop areas of 20,000 to 30,000 square meters, which have increased recently, to even exceed the total central commercial area of provincial cities, so "it can very well make the hollowing out decisive" (Kuniaki Fujita, director, Institute for Management of Urban Problems).

This is also viewed as one of the factors in the fact that, when we look at the ratio of cases in which the Large Retail store Councils reduced the requested area of large retail stores, it has gradually increased in the provinces. At a time when large retail stores are taking root in every area, problems have surfaced that involve such urban planning as location of commerce.

In Wakkanai City in Hokkaido, in June at a meeting for consolidating local opinion regarding a 2,421 square meter expansion of floor space for a suburban store of Nishijo, a department store (Nayoro City, Hokkaido), even representatives of consumers, not to mention merchants, agreed on the conclusion: "For the time being we will not approve any of Nishijo's expansion of floor space." Wakkanai Consumers Association chair Keiko Naka stated: "Suburban consumers have enough places to shop even if Nishijo does not expand its floor space; opening of branches in the suburbs is excessive, and it is rather city-center consumers who are feeling inconvenience."

Complaints About Traffic Problems Too

Examples also stand out in which opening of branches of large stores runs into a barrier because of area traffic

problems. In October Nichii Co., Ltd. gave up the idea of opening a branch in Amagasaki City, Hyogo Prefecture. It was because roads in the vicinity are narrow and opposition from local residents and so on to the effect that "noise and traffic jams will be awful," came one after the other. For similar reasons, Chain Store Okuwa, a food supermarket, was also driven to back down from opening a branch in Sakurai City, Nara Prefecture.

Hatsuko Yoshioka, Housewives Association secretary general, who is serving as chair of the Shikoku Large Retail Store Council, points out that: "Consumers' benefits differ according to the case. Suburban supermarkets are welcomed by persons who have their own cars, but they are inconvenient for old persons and handicapped persons," and appeals that "the situation is different in each area, so the foundation is to talk with the local people of each area. It is difficult to handle at the large store councils."

Gakushuin University professor Yoshihiro Tajima, a member of the General Assembly, the highest organ of the Large Retail Store Council, admits that: "By rights coordinating the opening of branches should begin from each district's view of what kind of town to create, but that does not exist now."

Led by regions, campaigns to search for "the proper nature of the town," are also being begun a few at a time. The Kochi City Federation of Business District Promotion Associations, together with the city and the Chamber of Commerce and Industry, is aiming at town improvement that resembles zoning (regional district regulation), a commerce-centered U.S. urban planning system.

In order to find out, for each of the 32 districts in the city, consumers' shopping behavior and whether residents have complaints about retail stores' service or assortment of goods, beginning in FY93 in addition to a questionnaire survey, it carried out a survey by asking people on the street, and informal conversation meetings by age and so on. The plan is to settle on the proper nature of commerce that is desirable in each district through "listening to the opinions of customers who need shopping districts, and taking another look at our own role." There is also a similar campaign in Matsuyama City.

In autonomous bodies as well, Aichi Prefecture's Toyoda City has a commerce-location concept that resembles zoning, saying "With only the automobile industry young people will not gather here. We want to expand tertiary industry" (Commerce and Tourism Department), and Osaka Prefecture's Toyonaka City established a "town improvement ordinance" which espouses "resident participation," and in two districts merchants and residents cooperate, and, devoting three years, are currently formulating a plan for what kind of town to make it into.

Making Clear Its Role in the Region

Commercial distribution councilor Yuji Kiyokawa of MITI states in regard to this, that "The degree to which one respects a region's vision on town improvement depends on whether the content of the plan is done properly." If the town improvement plan turns out to have aimed at controlling large retail stores, conflicts over opening of branches will probably not disappear.

In the future, while on the one hand large retail stores will be asked more and more to open branches that can contribute to the region, it will be difficult also for small and mid-sized merchants to survive unless they make clear such "roles in the region" as perfection of services for old people and having an assortment of goods not found in large stores.

Toyota, Nissan Production, Exports Drop in 1994

OW1901061095 Tokyo KYODO in English 0517 GMT 19 Jan 95

[FBIS Transcribed Text] Tokyo, Jan. 19 KYODO—Japanese automakers Toyota Motor Corp. and Nissan Motor Co. said Thursday [19 January] their domestic production and exports dropped in 1994 from the preceding year.

Toyota said domestic production of cars, trucks and buses slipped 1.5 percent to 3,508,456 vehicles, while domestic sales fell 1.2 percent to 2,040,570.

The firm's overall exports decreased 2.2 percent to 1,504,472 vehicles as exports to Europe and the Middle East declined.

Overseas production, however, grew 18.3 percent to 1,051,668 due to the start-up of a second plant in the United States, Toyota officials said.

Nissan said its domestic vehicle production slid 14.0 percent to 1,558,122.

It said domestic sales of both passenger and commercial cars fell 5.4 percent to 1,040,026.

Total exports fell 10.9 percent to 609,292 vehicles, while overseas production increased 5.2 percent to 1,059,172, the company said.

For the month of December, Toyota's domestic production grew 7.7 percent to 265,569 and domestic sales slid 0.2 percent to 135,413.

Exports fell 2.3 percent to 110,459 and overseas production jumped 23.9 percent to 77,149, Toyota said.

In the same month, Nissan saw production climb 7.4 percent to 126,173, domestic sales inch up 0.3 percent to 73,155 and exports rise 10.9 percent to 49,294 vehicles, with overseas output up 14.4 percent to 76,390.

Panel Asked To 'Scrutinize' 6-Year Economic Plan

*OW1901092495 Tokyo KYODO in English 0803 GMT
19 Jan 95*

[FBIS Transcribed Text] Tokyo, Jan. 19 KYODO—The government asked an advisory panel to scrutinize a six-year economic program starting in fiscal 1995, which begins on April 1, government officials said Thursday [19 January].

The officials said the government will compile a new program in line with the current times, including a lingering slowdown of business conditions following the bursting of the "bubble economy," the yen's sharp appreciation against the dollar and rapidly growing Asian economies.

The Economic Council, an advisory panel to the prime minister, will aim to come up with a report around this summer.

The scheme will likely focus on improving living conditions for Japanese and deregulations to activate the economy, analysts said.

As for Japan's economic growth outlook, they said, the key will be into what extent the council considers an increase in the population of senior citizens and lower birth rates with the approach of the next century.

In the fiscal 1992-1996 program, the government expected an average annual economic growth rate of 3.5 percent, far from the reality of a recession that followed the era of excessive asset inflation.

World trade after the Uruguay Round negotiations and efforts to balance wide price differences between Japanese goods and those overseas will also be major items, they said.

The council will establish working-level ad hoc subcommittees in February.

The new economic program will be the government's 13th in the postwar period.

Gaishi Hiraiwa, an adviser to Tokyo Electric Power Co. who chairs the council, told reporters that pursuit of better living conditions will be a continual theme but boosting business activities will also be an important task under the new program.

"A certain pace of growth is necessary to improve living conditions," he said.

He also pointed to the significance of including specific growth forecasts for better understanding of the nation's economic situation.

Hiraiwa said that at Thursday's meeting, other council members pointed out the need to beef up deregulation,

while some noted the necessity to focus on safety measures for natural disasters in the wake of the powerful earthquake that shook western Japan on Tuesday and killed over 3,000 people.

Reports Reflecting Current Economic Status

EPA: 'Gradual Recovery' Seen

*OW1701014195 Tokyo KYODO in English 0119 GMT
17 Jan 95*

[FBIS Transcribed Text] Tokyo, Jan. 17 KYODO—Japan's economy remains in a gradual recovery trend with a slight improvement seen in business results, the Economic Planning Agency (EPA) said Tuesday [17 January] in a monthly report.

The closely watched conclusion in the report was almost identical to that issued in December, except that the EPA cited "movements of improvement" in sales and profits instead of the earlier "signs of transition to recovery."

An agency official said there have been only a few small changes since the previous report, in which the agency said Japan's economy had clearly passed into a recovery phase.

The improved view of corporate results stemmed from the Bank of Japan's Dec. 9 "Tankan" quarterly survey of business sentiment, released a day after the EPA's previous monthly report, he said.

Manufacturers forecast a 32.1 percent rise in pretax profits for the six months through next March from a year earlier and reported a 14.7 percent gain in the half year through September. "For actual results, the turn to rising profits has been confirmed," the official said.

Otherwise, personal consumption is gradually recovering, housing construction is strong, capital spending remains "broadly sluggish" despite areas of strength and public works spending is generally brisk, the report said, using exactly the same wording as a month before.

Also unchanged was industrial production, which the agency said is rising gradually but unevenly, and "severity can be seen" in employment, especially among manufacturers.

The report also repeated that exchange rate movements are a cause of concern.

Keidanren Foresees Recovery

*OW1701094395 Tokyo KYODO in English 0903 GMT
17 Jan 95*

[FBIS Transcribed Text] Tokyo, Jan. 17 KYODO—The Federation of Economic Organizations (Keidanren) said Tuesday [17 January] that more than 80 percent of its top officials surveyed expect corporate performance for their firms to recover in the 1995 business year that starts April 1.

However, the majority also believe recovery will remain weak, it said.

Keidanren said the survey was carried out in early January on 137 executives who are top officials of the federation.

According to the results, 82.2 percent said business for their firms will recover in fiscal 1995, while only 17.8 percent said business will remain sluggish or get worse.

In a previous survey conducted in November, 56.8 percent said they expected corporate performance to pick up. Keidanren officials said.

Of those who projected a fiscal 1995 business recovery in the January survey, 72.9 percent said the degree of recovery will be "low-level," while 8.5 percent said "steady" and 0.8 percent said "high-level."

Concerning the yen-dollar exchange rate, 56.8 percent said the "appropriate" rate should be 110-120 yen to the dollar with the average standing at 113 yen, the survey said.

However, 85.2 percent said the actual rate could be 100-110 yen to the dollar, with the average standing at 101 yen, it said.

Money Supply Increases

OW1901120895 Tokyo KYODO in English 1113 GMT 19 Jan 95

[FBIS Transcribed Text] Tokyo, Jan. 19 KYODO—Japan's benchmark money supply—M2 plus certificates of deposit (CDs)—rose 2.1 percent in 1994 to 519.4 trillion yen, compared with a 1.1 percent growth in 1993, the Bank of Japan said Thursday [19 January].

The growth rate was the third lowest since the central bank began to issue public data on year-on-year changes in M2 plus CDs in 1968, it said.

The widest measure of money supply, broad liquidity, grew 3.3 percent in 1994 to 1,034.86 trillion yen, compared with a 2.9 percent rise in 1993.

While cash in circulation increased 5 percent, deposits 5.6 percent and quasi-money, such as time deposits, 1.4 percent, CDs declined 16.4 percent.

In December alone, the average outstanding balance of M2 plus CDs increased 2.9 percent from a year earlier to 532.2 trillion yen, the central bank said. The growth rate was the highest level since a 3.4 percent rise was recorded in July 1991.

In comparison, there was a 2.7 percent rise in November, a 2.4 percent increase in October, a 2.3 percent advance in September and 1.9 percent growth in August.

The increase rate in cash slowed from 4.8 percent in November to 4.1 percent in December mainly because funds shifted to deposits due to higher deposit rates, the bank said.

Quasi-money posted a steady year-on-year increase of 2.5 percent due mainly to an expansion of time deposits.

CDs dropped 15.2 percent, compared with a 31.4 percent fall in November. The slower fall is attributed to banks' hesitance to issue CDs in December 1993 on expectations of lower interest rates.

Broad liquidity increased 3.6 percent from a year earlier to 1,056.3 trillion yen in December, compared with a 3.5 percent rise in November.

In the October-December quarter, M2 plus CDs increased 2.7 percent from the same period a year earlier, almost meeting an earlier projection of a 2.8 percent increase.

M2 includes cash in circulation, bank demand deposits and nonnegotiable time deposits. The broad liquidity measurement includes M3 (M2 plus postal savings, credit association deposits, loan trusts and money trusts) along with CDs, outstanding repurchase-pledged bonds, bank debentures, government bonds and investment trusts.

Bankruptcies Due to Recession Hit Record High

OW1901062395 Tokyo KYODO in English 0459 GMT 19 Jan 95

[FBIS Transcribed Text] Tokyo, Jan. 19 KYODO—Business failure as a result of the prolonged recession hit a record 8,799 cases in 1994, accounting for a record high 63.0 percent of the year's total of 13,963 bankruptcies, a credit research agency said Thursday [19 January].

Teikoku Databank said in a monthly report covering bankruptcies with liabilities of 10 million yen or more each that the yearly total number of bankruptcy cases showed a fall of 0.6 percent from a year earlier for the second consecutive year.

Total liabilities came to 5,499,648 million yen, down 18.1 percent from a year earlier for the third consecutive annual decline.

The amount is the fourth highest on record, however, following 7,960,029 million yen in 1991, 7,563,028 million yen in 1992 and 6,714,223 million yen in 1993.

Recession-linked bankruptcies—failures due to poor sales, slumping exports, accumulated debts and bad loans—increased by 265 cases or 3.1 percent from the previous year.

Among the firms that collapsed in 1994 were Nippon Mortgage Co., which went bankrupt with liabilities of 518,492 million yen, and two firms registered on the over-the-counter stock market—Shinnihon Kokudo Kogyo and Tokai Corp., it said.

Business failures in 1994 due to the yen's appreciation on the foreign exchange market came to 95 cases, up 28 from a year earlier, the agency said.

Bankruptcies in the construction industry increased 11.8 percent to 3,206 cases, those in the manufacturing sector rose 5.8 percent to 2,740, while failures in the transportation and telecommunications industries decreased 3.1 percent to 502, the agency said.

Business failures in December alone came to a total of 1,244 cases, down 2.9 percent from a year earlier, with combined liabilities of 291,082 million yen, down 66.8 percent. The liabilities were down 27.0 percent from the previous month.

Recession-linked bankruptcies in December accounted for a 61.3 percent of the total, the agency said.

Economic Indicators Examined, Assessed

Industrial Production Index

952A0138A Tokyo NIHON KEIZAI SHIMBUN in Japanese 7 Oct 94 p 29

[FBIS Translated Text] Industrial Production Index—Weaker Relationship to Economy

Although there is strong, growing interest in economic indicators, economic statistics need to be approached carefully. Without understanding their limitations and biases, those who use them may end up with a distorted if not completely false view of their subject. The Heisei boom and the recession that followed on its heels have forced us to revise the way we approach and interpret the data. In this series, we will look at how the times have changed the nature of our data and consider new approaches to interpreting them.

Coincident Indicators. Of all the statistics, the industrial production index is the most sensitive to business fluctuations. "Quick estimates" for the previous month are released around the 21st of each month by the Ministry of International Trade and Industry [MITI] along with updates of the producers' shipment index, the producers' inventory of finished goods index, and the inventory-sales ratio index.

In the industrial production index, production volume for the entire manufacturing industry is indexed using 100 for the base year (currently 1990). In the past, the index rose during periods of expansion and fell during recessions, with turning points generally coinciding in their timing with economic peaks and troughs. The inventory index, on the other hand, rose during recessions as orders declined. It would then move down as a result of the wealth effect, followed by a pick-up in production.

By looking at inventory and production trends, we could just about tell in which way the economy was headed.

Economic Assessments Thrown Off by Irregular Fluctuations. But with the Heisei recession, the correlation

between the economy and production was thrown somewhat askew. An irregular fluctuation occurred in the spring of 1992 and a more dramatic one in the spring of 1993.

From December 1992, with inventory adjustments moving ahead, the index of producers' inventory of finished goods fell below its previous December level. The following February, the production index rose over January's level and it rose again in March.

The diffusion index, which is used to assess business conditions, is made up of six of 11 [coincident] production-related indicators that are highly responsive to business fluctuations. From February to April [1993], although previously below 50 percent (indicating a recession), the index stayed above the 50-percent level. In the past, this would have clearly have been an indication that the recession had bottomed out.

On 10 June [1993], the Economic Planning Agency announced that the economy had bottomed out. As every one knows, however, it was proven wrong.

The turnaround in production could not be sustained. First of all, the first quarter growth in production was due to special factors. Corporations, for example, made special efforts this quarter to raise their sales before the close of the business year [the end of March]. Passenger car exports to Europe, which were under an annual quota, also increased sharply with the coming of the new year. Second, economic recovery was cut short by the yen's further appreciation and by damage to raw materials and crops by long rains and an unseasonably cool summer. When economic recovery is weak, special circumstances like these can easily influence production.

Final Demand Lacks Stability. Also preventing the sustained expansion of production was weak final demand.

There was an unusual drop in final demand (personal spending, investments in plants and equipment, exports, etc.) during the Heisei recession. Although increased production can bring about higher income and spur further growth in production, unless final demand grows at a certain rate, inventories will pile up and put pressure on businesses to make more adjustments.

During the first quarter of 1994, production rose 1.5 percent over the previous quarter and again by 1.0 percent during the second quarter of the year. The inventory index also started to move down, and from March to May the diffusion index rose above the 50-percent level in June and July, it was below 50 percent. For the third time, the economy seemed to have hit bottom, and in fact a recovery has already been announced by the Bank of Japan and government representatives.

This time, even more than the other two times, production has continued to grow, and both personal spending particularly in durable consumer products and exports have been relatively stable. This time it looks quite likely

that production will continue to move upward, and the economy will be able to sustain this underlying keynote of recovery.

Nevertheless, even though this year has been blessed by a hot summer, final demand has been weaker than in previous recovery periods.

Several facts point to a weaker correlation between the production index and the economy as a whole. Not only have manufacturers had difficulty with upturns in production, the manufacturing industry makes up a smaller percentage of the gross domestic product. Since 1992, its contribution to the GDP [gross domestic product] has shrunk to 27.9 percent. There has also been a growing move toward higher value added products (higher per unit prices), which is not reflected in the volume-based production index.

Automatically making economic predictions from production trends has become risky.

GDP, 'Final Demand'

952A0138B Tokyo NIHON KEIZAI SHIMBUN in Japanese 8 Oct 94 p 28

[FBIS Translated Text] GDP—Reexamining the Components of Final Demand

GDP (gross domestic product) represents the only systematic method for gathering a comprehensive, year-by-year view of trends in the Japanese economy as a whole. Every December, the Economic Planning Agency [EPA] releases figures regarding total production, distribution, expenditures, and stock as part of the national account.

The EPA also puts out quarterly "quick estimates" on expenditures, which are available two-and-a-half months after the report quarter ends.

Close attention is paid to the quarterly reports known as QE (national income quick estimates) as economic indicators. Included in these quick estimates are statistics on gross domestic product; consumption; government expenditures; exports and imports; investments in housing, plants, and equipment; and inventories.

GNP, the abbreviation for gross national product, is familiar to many readers. Appearing in calls to "get rid of GNP" in favor of GDP, "GNP" has been gradually disappearing from print to be substituted by "GDP." The difference between the two is that GNP includes things like dividends and interest from overseas holdings held by asset-rich Japan. GDP does not.

Since interest and dividends earned from overseas assets have no direct relationship to domestic production, GDP is considered more useful for understanding what is happening on the economic front at home. The two can differ substantially from quarter to quarter. Not only have overseas assets been amassed very rapidly, many businesses, smarting under the recent recession, have

taken the end of their fiscal year to send back all of the interest and dividends earned from their overseas assets.

There are two ways to measure the rate of growth in GDP: one is to make comparisons with the previous quarter and the other, with the same period the previous year. Previous quarter comparisons provide an "instant" view of the economy while year-over-year comparisons, by grasping the broad flow of activities, gives us trends. Though previous quarter comparisons are looked upon as valuable indicators and tools to assess the economic situation, it is useful to look at them in conjunction with year-over-year statistics when there are clearly special circumstances at work that may influence the data for any short stretch of time.

Final Demand in the Private Sector. It is necessary to go beyond the totals represented by GDP growth rates and look into the core information behind them. A high growth rate means very little if, behind this growth, we find a lot of unsold inventory. It would be useful to look at "final demand," where inventory is not included. Our view of the domestic economy is also clouded when economies overseas are doing well and exports are expanding. "Domestic final demand" is final demand minus foreign demand (imports subtracted from exports).

The concept of "private sector, domestic final demand" is also useful when we want to see how well the private sector economy is doing, independent of public sector activities. For this, final spending and fixed capital formation in the public sector are subtracted from domestic final demand. What is left, after these calculations, is private sector final consumption, private housing investments, and corporate investments in plants and equipment.

Discrepancies in Related Data. Each of these components of final demand will be examined in this series. At first glance, data closely related to the various items in the gross domestic product appear to be at variance with each other.

A typical case is the relationship between final consumption in the private sector and household budget surveys. There are a number of items under the QE consumption category, for example, including ascribed homeowner's rent.

This ascribed rent has grown to make up 14 percent of consumption, lending greater stability to consumer spending than other statistics indicate. Another example is the time lag that exists between statistics on housing investments, which are based on costs at the end of construction, and statistics on construction starts, where costs are calculated when construction begins. Thus, while one set of data tells us that housing starts during the first quarter of this year increased compared to the previous quarter, another tells us housing investments fell. This same relationship can be seen between public work starts and public sector capital formation.

Another discrepancy exists between custom clearance statistics on trade volume and QE reports on traded goods and services. A discrepancy is natural since services are not included in statistics based on custom clearance. But another reason is the way QE imports and exports are converted to a volume base in order to create a price index. Clearance-based unit values are stated as the average price per ton (or car, etc.). Differences in the quality of products are thus accounted for in terms of price. QE statistics, on the other hand, are volume-based. Since manufactured goods make up an increasingly larger percentage of imports, discrepancies which arise from these differences have become more noticeable in recent years.

Consumer Price Index

952A0138C Tokyo NIHON KEIZAI SHIMBUN in
Japanese 10 Oct 94 p 19

[FBIS Translated Text] Consumer Price Index—Unable To Keep Up With Price Collapse

Rate of Increase Slows Down. The consumer price index (CPI) is based on monthly surveys conducted by the Management and Coordination Agency [MCA] targeting 451 goods and 100 services which the average household purchases. National updates on the price of these goods and services are released a month after the surveys are taken. Quick estimates for the Tokyo area are released in the same month the surveys are taken.

Recently, changes in the consumer price index have flattened out. After rising at the peak rate of 3.3 percent in fiscal 1990, the index climbed only 1.2 percent in 1993. This trend has continued into 1994. In July, the index level dropped 0.2 percent, the first negative change in the index since November 1992. It showed no change for August.

An important reason for this year's results is that the high prices of perishable goods which were seen during last year's unseasonably cool summer are no longer a factor. But even indexes that do not include perishable goods are showing a slowdown in price fluctuations. If we look at goods and services separately, the drop in the price of consumer goods (1.2 percent in August) is particularly noticeable. Services, too, have settled down (rising 1.6 percent), reflecting sluggish growth in nominal wages.

CPI May Be Higher Than Warranted by Actual Situation. It has been pointed out that CPI levels since last year may be higher than the actual situation warrants. In other words, although it is true that prices have continued to "collapse," critics doubt the index reflects consumer behavior and the diversification that is taking place in the retail sector with the emergence of discount stores (DS), private brand goods (PB), and bulk sales.

Disparities, in fact, can be found between the consumer price index and other price indexes and survey findings. For example, when we look at the previous recession,

first, we find that there was a smaller drop in the consumer price index than in the wholesale price index for consumer goods. Second, the average per unit purchase price in household budget surveys rose at a rate below the prices for most listed goods. And third, both the price index that Seiyu [supermarket] developed after conducting its own independent survey and findings from the Ministry of International Trade and Industry's retail price survey came out with prices below those listed in the consumer price index.

When an attempt was made to revise the Management and Coordination Agency's 1993 CPI—by taking the margin of difference in the retail prices in MITI's survey of shops and MCA's survey and multiplying it by MCA's CPI—we found that the revised index came out 3 percent lower than MCA's original 1993 CPI. Using this revised CPI, we then derived a figure for real spending in the private sector that is 2.6 percent higher, leading us to believe that, because of this higher CPI, estimates of real final spending in the private sector may be too low.

MCA Defends CPI, Index Has Limitations. The Management and Coordination Agency defends the appropriateness of the existing CPI, arguing that: 1) the lower unit prices found in its household budget surveys were influenced by a shift among consumers to cheaper goods; 2) the consumer price index for goods, which excludes services and agricultural, marine, and livestock products, and the wholesale price of final consumer goods are showing parallel trends; 3) bulk sales prices and the impact of discount stores are partly reflected in CPI; and 4) as a general rule, changes in consumer behavior should not be reflected in consumer price indexes where the emphasis is on continuity.

However, if we assume the findings of MITI and Seiyu's surveys are accurate indicators of the real situation, then we would have to say prices are falling more than the CPI indicates. Nor can it be concluded that consumers were ready to forget about quality during the recent recession just because statistics show they were buying less expensive items or in greater bulk. Rather, we can just as well conclude that, instead of looking for products that were cheap even if it meant sacrificing quality, consumers have become more demanding as shoppers, and now look for a balance between quality and price.

CPI is calculated for a fixed "basket" of goods and services relative to a base year, but the contents of that basket may very well be changing to reflect the value-oriented preferences of the consumer.

With the rapid growth of discount stores and private brand products recently, it is questionable whether CPI can keep up with the real situation. When we consider the limitations of CPI, we realize the need to also consider other information regarding prices.

As one might expect, the CPI has fallen quite a bit since the summer of 1994. In the immediate future, we can expect any rise in the index to stay within 0.5 percent of

the previous year. The midterm outlook is also for a continuing shift toward stable prices. Nevertheless, the possibility remains that the index will be higher than the actual situation warrants. If the basket items set by 1995 standards or the stores which are the targets of retail surveys are revised, the CPI may settle down and more closely approximate the actual situation.

Consumer Spending

952A0138D Tokyo NIHON KEIZAI SHIMBUN in Japanese 13 Oct 94 p 29

[FBIS Translated Text] Propensity To Consume—Discrepancies Due to Nonworking Households

One of the factors said to have prolonged the Heisei recession was the drop in consumer spending—a decline that has been attributed mainly to a lower propensity to consume among households in household budget surveys.

Consumption propensity indicates the percentage of disposable income which is budgeted or allocated for consumption and is used, along with the rate of increase in consumption, as an indicator of consumption trends. When consumption propensity is weak, spending declines relative to growth in income. Recently, however, household budget surveys have come under attack, critics saying they fail to reflect the actual situation with regard to consumption. Debate has also surrounded trends in consumption propensity.

Mutually Conflicting Trends. The most detailed survey of family consumption is found in the household budget surveys conducted by the Management and Coordination Agency. In these surveys, consumption propensity as seen in statistics on working families is often generalized to represent the average household.

In terms of trends, we see that consumption propensity slowly continued to move downward from 79 percent in 1982 to 74 percent in 1993. In the first and second quarters of 1994, levels also fell below those for the same period a year ago. This would tell us that the propensity to consume within households has been declining since the 1980's. According to figures in the Economic Planning Agency's national account, however, household consumption propensity has been climbing since 1976.

From these two sources, then, we see two different trends since the 1980's. Although the reason for this discrepancy is still being debated, it would appear the main reason lies in two structural changes that occurred in the 1980's which are not reflected in the household budget surveys.

Rise in Homeownership Rate and Japan's Aging Population. One of these structural changes is the increase in nonworking households due to Japan's aging population. Japanese society has been aging rapidly since the 1980's, giving rise every year to many households with retired, nonworking members. Because these families are living

on their savings, consumption propensity can be in excess of 100 percent. But since household budget surveys target working families to measure consumption propensity, their data omit families like these with a high consumption propensity. The proportion of nonworking households is increasing yearly. In the 60 years of age or over category, according to MCA's national consumption survey (1989), there are 2.8 times as many nonworking households as working households. MCA's survey data on working households, of course, exclude those factors which are pushing the propensity to consume higher every year.

The second reason is that the homeownership rate has risen. The homeownership rate among working families, according to MCA's household budget surveys, climbed sharply during the 1980's from 60 to 65 percent, topping the average for all other households. This, too, has worked to make consumption propensity appear low.

It appears low because MCA's surveys are surveys of cash income and expenditures, and homeowners, who do not pay rent, have a lower propensity to consume than families who rent. In the national account, adjustments are made to take account of differences in consumption propensity due to rent payments. In computations of consumption propensity, homeowners are considered to pay what is called "ascribed" rent. In MCA's surveys, which leave out ascribed rent in their calculations, the propensity among homeowners to consume is about 6 percent lower than families who rent. Therefore, higher homeownership rates appear in the household budget surveys as a lower consumption propensity.

Revisions Show Upward Trend. Due to the structural changes that occurred in the 1980's, the propensity to consume among working families in MCA's household surveys can no longer be said to necessarily reflect the trend among all households. But, then, what is this broader trend?

The national account covers all households, nonworking as well as working households, and includes in its calculations for consumption propensity ascribed homeowner rent. According to these calculations, consumer propensity for all households in the population has been on the rise.

We found that, if we combined the figures for consumption propensity in MCA's household budget survey of working families and those for nonworking families from the national consumption survey and calculated the ascribed rent for homeowners, the household budget survey's figures for consumption propensity went up, showing an upward trend just as the national account did.

Consumption propensity as seen among the working families in MCA's household budget surveys does not necessarily reflect a trend that applies to the entire country. Like the national account, the broader trend,

which would include all households, should see consumption propensity on the rise.

Unemployment Rate

952A0138E Tokyo NIHON KEIZAI SHIMBUN in Japanese 14 Oct 94 p 31

[FBIS Translated Text] Unemployment Rate—Employment Situation Worse Than Numbers Indicate

Employment Indicators. Of the various indicators that throw light on the employment situation, the most carefully watched is the unemployment rate. Unemployment rates are released by the Management and Coordination Agency as part of its *Labor Force Survey*, which comes out a month after the report period or early the following month.

The unemployment rate is defined as the percentage of jobless persons in the labor force (employed workers + unemployed workers). The unemployed, besides including workers who have lost their jobs, include those who have begun looking for a new job but have not found one yet. Thus, for example, even though there is no increase in the number of workers who have lost or quit their jobs, the unemployment rate goes up if there is an increase in the number of new job-seekers.

The unemployment rate is said to be a lagging indicator. When the economy enters a recessionary phase, businesses will first cut back on work hours and adjust the amount they will invest in labor. First, when cutting back on hours reaches its limits, they will begin cutting back on the number of workers. On the other hand, when the economy enters the recovery phase, businesses will first move into longer work hours and then into increasing the number of employees. Generally, a lag of about six months is said to exist between the peaks and troughs of the economy and the high and low points in the unemployment curve.

Even in Recessions, Japan Has Low Unemployment. The unemployment rate in August 1994 (seasonally adjusted) was at the 3-percent level for the second consecutive month. This level is still considerably lower than unemployment rates in the United States and industrially advanced European nations. Even with its recovering economy, the United States, for example, had an unemployment rate of 6.1 percent in August. Japan's relatively low unemployment rate can be explained by structural factors as well as problems in statistical method.

First of all, when jobs are scarce during recessionary periods, it is easier for Japanese women to leave the work force, spending more of their time, for example, in the home. Though they are not working, they are not considered "unemployed."

Second, in a society like Japan where lifetime employment is broadly rooted, employers are averse to dismissing their workers. Government subsidies for employment adjustment also work to inhibit dismissals.

Employment adjustments thus usually only mean temporary transfers of employees to other companies or temporary layoffs. It is rare for companies to go so far as to actually dismiss their workers.

The third reason is the difference in the mobility of the labor market in these countries. Even when there is full employment on the macro level, there will always be some workers who are unemployed due to a mismatch between the supply-side and demand-side in terms of their respective "needs." In the United States and Europe, where workers frequently change jobs, there are many unemployed workers who have skills for which the current job market has no need. In Japanese society, which is premised on lifetime employment and seniority wages, job-changing is relatively rare, and factors tending to increase the unemployment rate due to workers changing jobs are not significant.

Because of these types of structural factors, the unemployment rate in Japan, even during recessionary times, remains relatively low.

Impact of Unemployment More Serious. Some economists are predicting a significant rise in the unemployment rate due to the sharp increases in fixed expenses that employers are recently facing and to further restructuring in the future. But many employers will still make personnel cuts only as a last resort, and if the economy moves toward recovery, it is unlikely the unemployment rate will go any higher.

Still, new problems, which have never come up before, have emerged.

For example, first, workers are staying unemployed longer. This not only means a greater loss of human capital, but also, in the sense that workers will have a harder time finding new employment, there is a chance this may push the unemployment rate up in the future. Second, unemployment is increasing among [college] graduates and older and middle-aged workers. Most of these older unemployed workers come from management positions, and it is difficult for them to find new jobs. Moreover, their unemployment comes at a time when their financial responsibilities—paying off home loans, paying for their children's education, etc.—are at their peak, and unemployment will have a very significant impact on their lives.

Third, as part of restructuring, companies are replacing regular workers with more cost-saving part-time workers. Because it takes several part-timers to do the job of one regular worker, the number of employed workers increases, thus lowering the unemployment rate. But the negative impact on household budgets where the main breadwinner is unemployed is significant.

Because of these problems, it seems that the employment situation has become more serious than the unemployment rate would indicate.

Nominal Wage Index

952A0138F Tokyo NIHON KEIZAI SHIMBUN in
Japanese 16 Oct 94 p 20

[FBIS Translated Text] Nominal Wage Index—Bonuses Suffer

Of the various business indicators, those we probably feel most familiar with are those that have to do with wages. Wage hikes due to this year's spring offensive, according to the Labor Ministry, were held to 3.13 percent, the lowest level in postwar history. Since this figure includes automatic, scheduled pay raises, the real increase was about 1 percent. If we factor in the higher cost of goods, we would not be exaggerating to say that worker wages have actually fallen. But the spring offensives are not the only thing that determine wage levels.

Fixed Wages, 65 Percent of All Wages. The nominal wage index is one of the representative indicators of per capita wages. Part of the Labor Ministry's *Monthly Labor Statistics*, which is based on a sample survey of businesses, this information is released at the end of the month following the report period along with the ministry's index of labor hours and regular employment index.

Using 100 for its base year (currently 1990), the nominal wage index is an index of the total amount of all cash wages paid for labor. Cash wages can be divided into fixed, nonfixed and special wages.

Fixed wages are the wages specified in a labor contract and account for about 65 percent of all cash wages that are paid.

Nonfixed wages are payments for overtime. Since employers try to respond to increases or decreases in production by first adjusting the hours of their current workers, overtime hours move almost in tandem with the economy.

Special wages such as special compensations and one-time payments (bonuses) are payments that fall outside the labor contract.

The nominal wage index in 1993 rose only 0.7 percent (for businesses with 30 employees or more) compared to the previous year. Needless to say, the effects of the protracted business slump and poor corporate profits were reflected in this figure.

Accounting in part for the rise in the index were a growth in fixed wages, which increased by 1.9 percent, offset by a 0.4 percent-decline in nonfixed wages, and a 0.8-percent decline in special wages.

Since fixed wages are linked to the spring offensives, they are not in danger of being affected very much. Rather, changes in nominal wages are due primarily to changes in nonfixed and special wages.

Significant Changes in Overtime. Bonuses, which make up most of what are called special wages, are essentially a case of redistributing company profits to workers.

Burdened by high personnel costs, companies are making fairly severe adjustments in this regard at the present time.

According to a survey by the Labor Administration Institute, one-time payments among companies listed in the first section of the Tokyo Securities and Exchange fell below the previous year's level in December 1992 and since then have fallen four consecutive times. The rate of decline (2.6 percent in the summer of 1994) has been the worst since the surveys were first taken. One-time payments are also likely to fall this winter.

Deep adjustments have also been made in nonfixed wages, which fell 10.8 percent in 1992, followed by a 6.1-percent drop in 1993. What this shows is that, when the burden of fixed costs increases along with low growth and disinflation, marginal earnings become the easiest target for drastic adjustments.

Gradual Recovery, But Low Growth. The nominal wage index has been stuck around the same level since 1992, rising at a rate of only about 2 percent each year. (The index rose sharply in the second quarter of 1994, but this was due to one-time advance payments connected to the government's income tax cut.) Since the beginning of 1994, overtime, however, has started to pick up. This comes after the industrial production index reached bottom in the fourth quarter of 1993. If profits recover, the decline in special wages is also expected to ease up. No longer shackled by the recession, nominal wages, too, will probably start taking larger steps forward from next year.

A dramatic recovery, however, cannot be expected. Within a low nominal growth economy, companies will have to cut fixed expenses like personnel costs in order to produce profits. Bonuses will be restricted, the spring offensives will not result in higher wages, and nominal wages will still be sluggish.

This lack of growth in nominal wages will shrink generational wage differences and, along with the changing structure of the population, harbor the seeds for the collapse of the seniority wage system. With the introduction of an annual salary system and the revamping of the spring offensive system, the wage environment is in the process of undergoing major changes, calling for a revision in the way we look at the statistics.

New Housing Starts

952A0138G Tokyo NIHON KEIZAI SHIMBUN in
Japanese 17 Oct 94 p 19

[FBIS Translated Text] New Housing Starts—At Odds With Investment Totals

Rebuilding, Remodeling Projects Left Out. New housing starts, one of the categories under construction starts, refers to the number of new houses that have been built and is one of the typical indicators used to discern housing investment trends.

Anyone who wants to know how much is being invested in housing has no other choice but to wait for the government to release its quarterly quick estimates on national income. Statistics on construction starts, on the other hand, are released monthly. Put out by the Construction Ministry after the 21st of the month following the report period, these "quick" reports show changes or trends in square-footage which are used as leading economic diffusion indicators (DI).

Out of all housing construction that has been reported under the Construction Standards Act, the survey specifically targets those projects that have added new housing units to the market. The new units are broken down according to use, builder, funding, type, and structure. Statistics on use further indicate whether the unit is owner-used, rental, company, or subdivision housing.

There are several points to keep in mind when considering the data. First of all, since the survey is based on construction starts, it says nothing about the project as construction proceeds. Investment totals are calculated on the basis of costs during the course of construction. Thus, there are differences between building start costs and investment totals. Second, the survey does not include rebuilding and expansion projects which do not result in additional, new housing structures. Third, a new structure, regardless of whether it is a single-family dwelling or multiunit apartment building, is counted as one unit, so it is necessary to consider total floor space in addition to units in order to get an accurate view of the size and scope of housing investment.

New housing starts in fiscal 1993 totaled 1.51 million units. Of these, 36 percent were homeowner units, 43 percent were home rental units, 2 percent were company-owned units for employees, and 19 percent were subdivision units. New housing starts in 1994 are expected to reach levels similar to previous years. For three straight years, new starts have exceeded the usual benchmark of 1.4 million units and are thus continuing to play their role in supporting the economy.

Relationship Between Number of Units and Investment Totals. Sometimes unit numbers and the amount of GDP-based real investments present conflicting pictures. For example, although new housing starts in fiscal 1992 increased 5.7 percent, GDP-based housing investments shrank by 3.6 percent. This discrepancy comes from the fact that a number of factors besides new housing starts influence housing investments totals, including per unit costs based on floor space and square meters. In recent years, the relative weight of these factors has increased.

If we were to construct an "upgrade index," using 100 for our base year (1980)—this is done by taking a housing investment deflator to convert projected construction costs per square meter into real costs per square meter—we would find that for fiscal 1990 our index climbed to 139.7 and has since been falling. During the

bubble period, this effort to construct finer quality housing (increasing value added) proceeded rapidly, but has been on the wane now that the bubble has collapsed.

This effort to build finer quality housing accounts for an increase in construction costs beyond the increased costs of labor and materials. For example, the same post during the bubble period might have been made of higher grade materials.

From 1986 to 1990, the number of construction starts grew at an average annual rate of 4.4 percent, but our upgrade index rose 5.9 percent during this period, resulting in an 8.8-percent increase in real investments. Efforts to build finer quality housing accounted for a large part of this growth. In 1991 and 1993, it was larger floor space per unit that was largely responsible for the higher amount of housing investments.

Here, it should be remembered that floor space per unit was reduced during the bubble period and again in 1992 due largely to an increase in the construction of rental homes because of changes in the inheritance law and the Productive Green Area Act. In the same way, average floor space may change according to new trends in intended usage.

Steady Increase Also Projected for 1994. New housing starts increased in August by 1.8 percent over a year ago, marking the fifth straight year-over-year increase. Although new starts for rental housing fell for the seventh consecutive month and for homeowner units for the first time in 15 months, subdivision units, boosted by strong apartment sales, increased by two-digit figures for the sixteenth straight month.

Many people feel that housing starts will continue to slow down into the second half of the fiscal year in reaction to fears about an oversupply of subdivision units on the market. A slowdown is also feared as most housing starts for homeowner units are pushed to the beginning of the fiscal year. But while the unit price for apartment units continues to fall, floor space per unit is increasing, partly because the rental home market is shrinking.

A firm, steady growth in real housing investments can be expected for fiscal 1994 because of an increase in housing starts and increased floor space per unit.

Plant, Equipment Investment

952A0138H Tokyo NIHON KEIZAI SHIMBUN in Japanese 18 Oct 94 p 27

[FBIS Translated Text] **Survey of Plant and Equipment Investment Plans—Influence of Shift to Overseas Production**

A recovery in investment in plants and equipment is essential for real economic recovery, so it is important to get a firm handle on investment trends.

Leading indicators in this area include the Economic Planning Agency's figures on machine orders and the Construction Ministry's figures on construction orders in the private sector. These figures, however, are based on projections about the future (it is said it takes about six months between the time orders are placed and actual shipment is made) and do not capture the psychology of companies—what they are thinking—in real time.

In these times of uncertainty, questionnaire surveys on the capital investment plans of companies become powerful tools that can directly reflect the corporate "mind." In this sense, such surveys are becoming more and more valuable.

Points To Consider About Questionnaire Surveys. Questionnaire surveys on investments in plants and equipment include the quarterly surveys taken by the Economic Planning Agency (in March, June, September, and December) and the Bank of Japan's quarterly *tankan* [quarterly survey of business confidence] (February, May, August, and November) as well those taken by the Japan Development Bank (February and August), Small and Medium Enterprise Corporation (February and August), and NIHON KEIZAI SHIMBUN (February and August). Each one differs and has its own characteristic way of dealing with target enterprises, businesses, and land investments and handling their coverage of GNP. When we look at these surveys, there are several points to keep in mind.

The first is the time of the survey. In the case of large enterprises, most usually formulate their annual investment plans between the end of the outgoing fiscal year and the beginning of the new one, so the figures in surveys taken before this time are not very accurate. Later, as plans are being formulated, the figures are updated and revised. Until now, it has been more common to revise the earlier half of plans than the latter half, but it all basically depends on the state of the economy.

The second point concerns the size of the enterprises that are targeted in the surveys. Generally, small and mid-sized enterprises are said to start investing in plants and equipment before major firms do. When attempting to predict macro trends in capital investments from survey results, we have to consider the existence of this type of time lag between large and small enterprises. This time, economists are questioning the ability or willingness of smaller enterprises to take the lead.

The third point to consider is the composition of the survey sample in terms of the types of businesses that are targeted. If the sample is skewed toward certain types of businesses, the survey will arrive at a false mean that fails to reflect the economy as a whole.

The fourth consideration is the classification of businesses. Normally, enterprises are classified according to their main line of business. But as diversification proceeds to the extent it has at present, it is possible to

mistake trends, and a classification system based along functional lines would be better.

The fifth point is that SNA [System of National Accounts]-based capital investments do not include land investments (except for improvements), while the usual survey does. Land investments are important in terms of understanding the behavior of firms, but such transactions do not give rise to added value for the economy as a whole. When there are extreme fluctuations in land investments, discrepancies arise between these surveys and SNA-based investment trends.

Surveys will overestimate investments in plants and equipment during periods like the recent speculation boom when there was a flurry of land investments; they will also end up underestimating capital investments when there is a sharp drop in such land investments as was the case recently.

Influence of Offshore Development. An important question in terms of the present recovery is what happens to domestic capital investment in light of the yen's appreciation and the move within the manufacturing industry toward offshore development.

The high yen has a different effect on different kinds of businesses. For those that do a relatively high percentage of their business in exports, a strong yen tends to hold down domestic investments because their products become less profitable and less competitive. Instead, they will be encouraged to shift to offshore production—in other words, to invest in overseas facilities.

To gain an overall view of the investment behavior of businesses, then, we must pay attention to investment trends at home as well as overseas.

We should remember, however, that in concept foreign direct investments are essentially fund transfers and not necessarily the same as investments in plants and equipment. Therefore, if we want to know about shifts in production, what we should be comparing with investments in domestic plants and equipment are investments in such facilities overseas (except where they have been bought up).

A recent characteristic to emerge from surveys of major manufacturing firms is that investments in overseas plants and equipment have been gaining momentum while investments in domestic facilities continues to decline. The influence of offshore development will probably become increasingly important in the manufacturing industry's capital investments.

Tertiary Industries Index

952A01381 Tokyo NIHON KEIZAI SHIMBUN in
Japanese 19 Oct 94 p 31

[FBIS Translated Text] Tertiary Industries Activity Index—Index Becomes More Important, More Strongly Correlated to Cycles

Independent of Business Cycles Before. The purpose of the tertiary industries activity index, which is updated quarterly, is to understand the activity levels of businesses in tertiary industries.

The index provides the only comprehensive data related to tertiary industries, where there has been less attention to gathering relevant statistics than in the manufacturing industry.

Activities in tertiary industries, including the service industry, are said to be less influenced by business fluctuations than those in the manufacturing industry. As might be expected, then, index levels have remained relatively stable, showing little or no correlation to the peaks and troughs of the business cycle.

This becomes clear when we compare the production and tertiary industries indexes in relation to cyclical troughs since the 1970's. At the time of the first and second oil crises and later during the high-yen recession, the production index fell 18.6 percent, 1.0 percent, and 0.6 percent, respectively, compared with previous year levels. Tertiary index levels, on the other hand, continued to climb during these cyclical troughs, rising 2.7 percent, 3.1 percent, and 5.5 percent each time, respectively.

According to two explanations for this seeming indifference to business cycles, first, tertiary industries do not have inventories and thus do not go through inventory cycles; second, such industries are highly dependent on household demand, which is relatively stable.

Updates From June Adjusted to Base Year. Unlike previous recoveries, however, the index fell this time. By the third quarter of 1992, the index had fallen below previous year levels for the third consecutive quarter. In its fiscal 1993 economic white paper, the Economic Planning Agency also pointed out that one of the characteristics of the current adjustment phase was the unusual "weakening of nonmanufacturing industries' economic support."

Besides reflecting an unusual slump in household demand, this dip in tertiary activities was attributed in large part to the higher percentage of such activities aimed at workplaces.

Starting with this June's update, the index has used 1990 as its base year, and new weights have been given to each of the industrial categories used in the index. In its breakdown by areas of specialization, 3,065.8 (out of 10,000) were engaged in activities related to places of business, up from 2,701.6 previously. Among the service industries, proportionally more enterprises were also targeting places of business.

As companies grow into mammoth organizations, there has been a tendency for them to "spin off" those divisions that have specialized functions in order to rationalize their operations. Tertiary industries that can accommodate this move by targeting places of business

include the communications service and advertising industries. Another trend, which follows from this effort to rationalize investments in plants and equipment, is the growth of rental and leasing enterprises.

A higher percentage of tertiary businesses had come to rely on corporate activities, and when the recession deepened and these activities slowed down, the slump was felt by these businesses as well. The unprecedented decline in their performance levels was what contributed in large part to the drop in the tertiary activity index.

In other words, changes in the index became more synchronized with fluctuations in the business cycle, and the index itself has become increasingly important as an economic indicator.

The index rose only 1.7 percent in the second quarter compared to a year ago, indicating that conditions are still sluggish. Specifically, activities related to places of business fell 0.1 percent while those targeting individuals rose 0.2 percent. We can probably say the index is just reflecting the sluggish pace at which economic recovery is taking place.

Better Service Statistics. As in other countries, the service industry is expected to become a growing part of the Japanese economy too. As this happens, increasing attention will probably be paid to the tertiary industries activity index.

However, compared to the 530 items in the production index, the tertiary index is based on a series of only 182 items. There is more than just a little room for improvement. More detailed statistics and more timely reporting are needed.

Production Capacity Utilization

952A0138J Tokyo NIHON KEIZAI SHIMBUN in Japanese 20 Oct 94 p 31

[FBIS Translated Text] The index of capacity utilization (in the manufacturing industry) shows on the macro level the degree to which plants and facilities are operating. The Ministry of International Trade and Industry's "Dynamic Statistical Survey of Production" targets 165 items that can be surveyed in terms of production capacity.

Defined as the "ratio of production to production capacity (for surveyed items)," the index uses 100 for its base year (currently 1990), just as the production index does, and measures production relative to this base year rather than to some absolute level of operation.

However, the real operating, or capacity utilization, ratio for 1990 has been put at 85 percent, and the actual level at which plants and equipment are being utilized can be estimated by multiplying this figure by the index number. The capacity utilization index is updated and released by MITI as part of its *Final Report on Production, Shipment, and Inventory Indexes* in the middle of the second month after the report period.

Supply-Demand Indicator, Leading Indicator of Capital Investment. The capacity utilization index shows the relationship between production and production capacity—in other words, between demand and supply capacity. It is an important indicator that can be used to assess supply and demand in the manufacturing industry. To say that the utilization ratio is high (or low) or that it is rising (or falling) is to indicate whether the relationship between supply and demand is strained (or in harmony) and in which way the balance seems to be tipping. Also, a high utilization ratio suggests that production facilities, when compared to actual production levels, are insufficient, and the utilization ratio is used as a leading indicator of trends in plant and facility investments.

The denominator in this ratio, the production capacity index, is determined by the amount of capital stock and has shown relatively stable growth. The utilization index, then, must be pulled along primarily by the numerator, which is the production index. It moves cyclically in conjunction with the economy in such a way that during periods of expansion it rises and during recessions it falls.

During this recent recession, plans made during the bubble period to invest in plants and equipment fell behind schedule and production capacity rose. However, production fell into a deep slump and the capacity utilization index fell sharply. In October 1993, the index fell to 79.9, its lowest level since the recession that followed the first oil crisis.

Upward Trend. Looking at long-range trends, we see that the capacity utilization index's turnaround level after bottoming out has been rising ever since the first oil crisis. During the bubble period, it stayed for some time at a relatively high level when compared to the early 1980's boom, suggesting an upward trend. The production capacity index explains why.

Production capacity has tended to show only sluggish growth, a fact that has been particularly noticeable since the 1980's when compared to the growth in capital stock. One reason, in recent years, is that, even though there may have been some growth in investments, it has gone into areas like research and development or into labor-saving and rationalizing efforts rather than directly into expanding production capacity. During the first half of the 1980's, when excess facilities in sectors dealing with raw materials became a structural problem, many plants were abandoned. This too is contributing to the low growth we see in production capacity.

It is also pointed out that the production capacity index itself, because of technical problems in the way it is constructed, tends to underestimate actual production capacity. For example, under "electrical machinery," integrated circuits and computers are not included. There is also a proportionally high representation of raw materials-type industries, and production capacity in processing industries is not adequately reflected.

Therefore, it is difficult in the index to account for increases in facilities in leading processing industries or, even in raw materials industries, for the higher capacity among manufacturers to handle higher value added products. By underestimating production capacity, the utilization index may be higher than actually warranted.

Nor is it inconceivable that we will be seeing a widening gap between the capacity utilization index and actual operating levels when, in response to the development of new products and changes in the industrial structure, new facilities are built which are not accounted for in the existing production capacity index.

Moving Toward Recovery, But Supply-Demand Gap Still Large. For the most part, the capacity utilization index has hovered around 82 this year. In August, however, it rose above the previous year's level for the first time in 12 months. According to some views, the bottom was reached at the end of fiscal 1993. The production capacity index fell at the end of 1993, its first year-over-year decline since 1970, the result of excess facilities being abandoned and strict cutbacks in investments in plants and equipment. However, production index levels are starting to fall by narrower margins compared to previous year levels, and along with a recovery in production, the utilization index will also probably start to climb.

However, considering the problems that have been pointed out in the capacity utilization index, we can assume the actual operating levels are lower than indicated. For the immediate future, we would have to say Japan's economy will still be faced with a large gap between supply and demand.

Public Construction Starts

952A0138K Tokyo NIHON KEIZAI SHIMBUN in Japanese 22 Oct 94 p 24

[FBIS Translated Text] Statistics on Public Construction Starts—Discrepancies With Public Fixed Capital

Discrepancy With SNA [System of National Accounts]. Public works investment, which increased as part of a series of economic steps to combat the Heisei recession, is now showing the effects of these stimulus measures. One of the typical indicators used to discern public investment trends are statistics on public works starts. Monthly statistics are released by the Construction Ministry about two-and-a-half months after the end of each report period.

The statistics are based on the public works budgets of the central and local governments, and capture trends in public works projects undertaken by the Construction Ministry at the request of public institutions. Data include information on construction, regional distribution, the number of workers employed by these projects and, regardless of what kind of project, the total estimated cost at the start of construction.

By contrast, in the national accounting system, public works investments are defined as investments in plants and equipment undertaken by the government and public enterprises, and are called public fixed capital formation. In this system, calculations are based on the actual amount of fixed capital that has been created as construction progresses. At any given time, these totals will differ from those at the start of construction. Thus, during periods when many large-scale projects are started, there will be a discrepancy in totals between capital formation during that period and the much larger amount calculated at the start of construction.

Discrepancy With SNA. If we look at changes in public construction starts and public fixed capital formation (nominal), we will notice there is generally a lag time between the two of about one quarter, or three months.

Charting the year-over-year rates of change in both public construction starts and capital formation, we see in the past that construction starts and capital formation have moved in parallel directions, with starts taking about a three-month lead. However, recent figures show a high (year-over-year real) rate of growth in capital formation exceeding 10 percent for eight consecutive quarters, starting from the first quarter of 1992; public construction starts, on the other hand, have hovered around the same mark, showing a year-over-year decline of 5.3 percent in the fourth quarter of 1992, followed by a 2.7-percent increase over the previous year in the third quarter and a 0.3 percent-increase in the fourth quarter, clearly showing a divergence from the trend in capital formation.

Public construction contract amounts, another indicator of public investment trends, also showed a year-over-year decline of 0.5 percent and 0.8 percent, respectively, in the third and fourth quarters of 1993. The number of construction warranties also fell by 0.9 percent and 4.2 percent for each of these respective quarters. Neither of these indicators, then, can explain the high growth shown in fixed capital formation.

Reason for Divergence in Trends. The reason is that, even though national account figures are based on costs incurred during the course of construction, these figures factor into the initial or revised construction budget the average rate of completion for construction projects in the past. If there are even temporary delays either at the start or during the course of construction—due to rain or scandals like the general contractor scandal—a gap arises between past and present rates of completion, and it may look as though more fixed capital has been created than the actual situation warrants.

What happens for the period we are considering, then, is that the figure for fixed capital formation ends up much higher than the figures for construction starts or for contracted totals or construction warranties. Again, because it is difficult when large-scale economic stimulus measures are involved to tell what portion of fixed capital formation has been carried over into the next

period, it is possible on a quarterly basis to see the gap between capital formation and construction starts temporarily widen.

Slowdown in Public Investment. To get an accurate picture of public investment, there are times when construction starts are better indicators than capital formation. Public construction starts took a sharp upward turn in the first quarter of 1994, climbing 25.7 percent over the same period a year ago. It then fell 16.1 percent in the second quarter compared to last year. This decline continued in July and August, and the level of public investments has fallen off significantly.

Delays in adopting a fiscal 1994 budget can be seen as the reason. Unless new economic stimulus measures are taken, public works expenditures will grow at a slower rate than in fiscal 1993. A look at national account-based fixed capital formation shows it has been on a downward trend after having grown by double digits until last year, when year-over-year figures show a 5.0-percent increase in the first quarter of 1993 and a 4.0-percent increase the following quarter. Every statistic now clearly seems to indicate a slowdown in public investment for the immediate future.

Instead, it will probably be the private sector that takes the lead role in pulling the economy forward, with both individual spending, a key underlying element in recovery, and private investment in plants and equipment, which has now changed course and is moving toward previous levels of growth, contributing steadily and positively to the economy.

Tax, Stamp Revenue

952A0138L Tokyo NIHON KEIZAI SHIMBUN in
Japanese 24 Oct 94 p 19

[FBIS Translated Text] **Tax Revenue—Low Growth Despite End of Recession**

Lagging Tax Revenues. "Tax and stamp revenues," a statistical category that is concerned exclusively with national taxes, includes revenue collected from sources like registration taxes and stamp duties. National taxes also include direct taxes—principally those like income tax, corporate tax, inheritance tax, and land value tax—and indirect taxes, which include the consumption tax and alcohol and tobacco taxes.

The main reason for compiling these statistics is to get an accurate handle on trends in stamp revenue and in national taxes, which are the main source of funds for the government and local public entities. This information is a useful tool for fiscal managers and economic policy makers, becoming basic resources for them in decisions to revise budgets or raise or lower taxes. Corporate tax revenue is also one of the lagging indicators used by the Economic Planning Agency to construct its diffusion index.

Two kinds of data are available on tax revenue: monthly and annual (fiscal year) statistics. Monthly statistics are put out by the Ministry of Finance at the beginning of the second month after the report period. Annual data are released in the form of "quick" estimates in June of the following fiscal year. Final reports are released in August.

It should be remembered, however, that the totals which are released every month will not tally with total tax revenue for a particular fiscal year since disbursements and receipts can straddle different fiscal periods. Another point to keep in mind is the lack of continuity in tax items from year to year since tax laws are revised almost annually.

Negative GDP Elasticity Value. Generally, in considering the relationship between the economy and tax revenue, we can say that increases in tax revenue are correlated to the rate of growth in nominal gross domestic product (GDP). But that said, we should remember that the relationship changes somewhat according to the economic situation at the time.

During boom periods, there is substantial growth in corporate income, and tax revenue, particularly in relation to corporate taxes, will grow at a higher rate than the GDP. Conversely, tax revenue will grow at a lower rate than the economy during recessionary periods, the main reason being a decline in corporate tax revenue. Here, we see taxes acting as a "built-in stabilizer." In other words, by increasing or decreasing taxes, the government can keep the economy from overheating during boom times and from slowing down too fast during recessions.

The numerical value that expresses the percentage change in tax revenue when GDP changes by 1 percent is called the value of the elasticity of tax revenue to GDP. Until the first oil crisis, the relationship between the two was clear: the value of elasticity during periods of prosperity exceeded 1 and fell below 1 during recessionary periods.

Later, however, after the tax reform in fiscal 1978, even though the value of the elasticity of tax revenue to GDP stayed at relatively high levels, the relationship between tax revenue and economic peaks and troughs began to show a weaker correlation. With the "bubble" boom, tax revenue continued to grow, but, starting from fiscal 1991, fell to record lows as the economy entered a recessionary phase, and the value of elasticity, dropping well below 1, came to be expressed in negative integers.

One of the main reasons for these changes in the value of elasticity was the severity of the recession and a sharp decline in the nominal growth rate due to disinflation. Secondly, because of the bubble, there was a substantial change in revenues from taxes on securities trading and on income from land transfers. As a result of this decrease in capital gains and corporate tax revenue, revenue from direct taxes began falling by a wider margin than economic growth. However, there has been

no significant change in direct taxes. The big drop in tax revenue, even with the introduction of the consumption tax, is a reflection of the bias in the tax structure toward direct taxes.

Hike in Consumption Tax Will Stabilize Tax Revenue. As a result of the long Heisei recession, tax revenue has continued to shrink over a prolonged period of time. Total tax revenue through August also fell 7.4 percent over the previous year. Although the outlook for the economy is somewhat brighter, there is still a time lag from the time when business activities pick up to when the effects are felt in higher tax revenues. This is true particularly in the case of corporate taxes, which account for about one-fourth of all tax revenue. Because the amount owed is determined after the close of the business year, corporate taxes reflect economic activity during the preceding fiscal year. Corporations may also receive permission to defer their tax payments, thus adding to the time lag.

Even without the Heisei recession and barring an immediate repeat of the bubble phenomenon, if low growth and disinflation continue, there will probably be only a small increase in tax revenue for the time being.

It has all but been decided that tax reform will include an income tax cut followed in three years by a higher consumption tax. If the consumption tax is raised to offset income tax cuts and the tax structure changes, we can probably expect more stability in tax revenue in the future.

Money Supply

952A0138M Tokyo *NIHON KEIZAI SHIMBUN* in Japanese 25 Oct 94 p 27

[FBIS Translated Text] Money Supply—Discrepancy with Fund Demand

The money supply has not been growing to any large extent. According to a definition of money supply— $M_2 + CD$ (total cash, demand deposits, time and savings deposits, and negotiable time certificates of deposits)—the average balance in September represented only a 2.3 percent increase over the same month a year ago.

Leading Economic Indicator. Money supply has been viewed as a representative leading economic indicator. There is a strong connection between money supply and price and economic growth trends, and it is one of the indicators the central bank carefully considers in its monetary policies. Monthly "quick" estimates are released by the Bank of Japan's Research and Statistics Bureau about two weeks after the end of the report month.

The money supply is the total amount of currency in the nonfinancial sector of the economy (individuals, corporations, local public entities). Showing the degree to which funds are readily available, it tends to become tighter during recessions and to increase prior to economic recovery.

Yet, despite a record 1.7-percent drop in the official discount rate and a continuing policy of easy money, growth in M_2+CD has stayed at the 1 to 2 percent level since fiscal 1993. The economy seems to have bottomed out, but the money supply no longer seems to be one of the leading indicators. Considering that the growth rate stayed over 7 percent from the first oil crisis to the recent "bubble" boom, we have to be struck by the extraordinary nature of the present situation.

Sluggish Bank Lending. Growth in the money supply is strongly influenced by growth in bank lending. When the money loaned out by banks increases, it is held in the form of savings in the nonfinancial sector, and the money supply increases. The total money loaned by banks in this way generally grew at over 7 percent until the bubble period, thus supporting the growth of the money supply.

This July, however, for the first time in postwar history, bank lending took a downturn, falling 0.1 percent below the July level a year ago. Two explanations can be found for this change: 1) saddled with a huge amount of nonperforming assets, banks have taken a much more cautious approach to lending, and 2) there is less demand for funds among companies following an over-investment in plants and equipment during the bubble period.

Opinion is divided over which of these two is the main reason. First of all, it is difficult to quantify the degree to which banks are now more cautious about giving out loans. No one would deny, however, that banks are finding themselves in the kind of situation where it is at least incumbent on them to exercise more caution. It is a fact that, by carrying large amounts of nonperforming assets, banks are less able to bear risks. It is only natural for them to be cautious in order to guarantee the safety and security of their customers' deposits.

According to the diffusion index on the lending attitudes of financial institutions (included in the central bank's *tankan* report [quarterly survey of business confidence]), the index measured how many corporate managers viewed financial lending attitudes as "lenient" or "strict"; it appears that the percentage of companies answering "lenient" has recently increased. This seems to indicate that the main reason for the sluggishness in bank lending cannot be attributed only to the supply side.

Decline in Fund Demand. It is definitely the case that fund demand within the corporate sector has cooled down. Because companies are still waiting for a rebound in their profits and because of excess capital stock, there has not been an upsurge in demand for either working capital or investment capital. As companies proceed with their restructuring plans, there has also been noticeable pressure for ready cash in order to cut down on financing costs.

In the end, it would have to be said that both of these factors are responsible for the lack of growth in the

money supply even though this is a period of easy money. As long as capital stock adjustments and restructuring continue, as it seems they will, the prospects for an increase in M_2+CD appear slim—at least for the rest of this year.

Under these circumstance, there is one trend we see among companies as the economy moves toward recovery that bears watching—namely, the trend among companies to diversify their approach to raising funds. Changes in the financial market are causing companies to move away from relatively expensive methods of raising funds like bank loans, and to issue corporate bonds and commercial paper (CP) instead. Thus, if viewed only from the perspective of bank lending, fund demand will no longer necessarily be an accurate reflection of corporate fund-raising.

Another consideration is the growing role of public financial institutions resulting from the government's comprehensive economic stimulus policy. Expanded lending through these public institutions is putting some degree of pressure on private lending—another fact which deserves attention.

In short, the money supply is becoming less and less the kind of indicator that can be used to accurately grasp trends in the real economy or in lending. At the very least, judgments based on the money supply should be supplemented by indicators that can grasp the broad flow of funds and by a broad definition of liquidity which includes corporate bonds and investment trusts.

Exchange Rates

952A0138N Tokyo NIHON KEIZAI SHIMBUN in Japanese 26 Oct 94 p 31

[FBIS Translated Text] Exchange Rate—Paying Attention to Equilibrium, Effective Rates

Strong Yen's Negative Effect on Business. At closing time on 27 June, the exchange rate on the Tokyo market broke through the 100 yen to the dollar mark for the first time in history. Since then, with the exception of a brief return to the 100 yen level, the exchange rate has stayed somewhere in double digits.

When the yen appreciated earlier (from the first quarter of 1985 to second quarter of 1988), the exchange rate climbed from 257 yen to 125 yen to the dollar, to boost the yen's exchange value by 105 percent. This time (from the beginning of 1993 through the third quarter of the same year), the increase, stopping at 14 percent, has boosted the yen's exchange rate from 121 yen to the dollar to the 105 yen level.

If we simply compare these respective rates of increase, we can see last year's was much smaller. Still, it was enough to be considered the leading reason for the renewed downturn in the economy after it had earlier bottomed out. In the following, we will consider various

concepts associated with the exchange rate and evaluate the impact that the high yen has had.

Notions Regarding the Exchange Rate. Generally, what we call the exchange rate is the nominal rate of exchange between two countries (here, namely, Japan and the United States) and, more specifically, to the interbank spot exchange rate.

In contrast to this nominal rate, the real exchange rate is the rate adjusted to reflect the value of traded goods. Specifically, it is defined as the ratio of the price of Japanese traded goods to that of foreign traded goods, where the price in the latter case has been multiplied by the nominal exchange rate and expressed in yen.

Even if the nominal rate indicates a high yen, it is not necessarily the case, from the perspective of the real exchange rate, that Japanese companies will therefore lose their price competitiveness. This is because the real rate does not change if the price of foreign traded goods rises in proportion to the increased value of the yen.

The idea behind the equilibrium exchange rate is that the nominal rate will continue to fluctuate until it eventually reaches the level of the real rate. There are various definitions of this equilibrium rate. According to the simplest one (purchasing power parity), the equilibrium rate is the value derived from multiplying an appropriate base-year rate by the relative movements in the price levels in the two countries concerned.

In order to understand the impact of changes in the exchange rate, it is necessary not only to consider the relationship between the currencies of the two countries, but also changes in the yen rate with respect to the currencies of other trading partners as well. The real effective rate is the value, or weighted average, which is found when the real rate is multiplied, or "weighted," by trade volume with respect to each trading partner and then averaged out.

Equilibrium Level Exceeded by Yen's Appreciation. There are the nominal rate; purchasing power parity, calculated using an export (goods and services) deflator for the United States and Japan; and the real effective rate (adjusted for differences in the rate of increase in consumer goods), based on International Monetary Fund figures.

In looking at the relationship between the nominal rate and purchasing power parity, we see that from February 1985, during the yen's earlier appreciation, the nominal rate was heading toward equilibrium, and in this sense, we can say that the exchange rate was based on fundamentals, and enterprises were fully able to response.

This time around, however, the yen's appreciation, which began from February 1993, has gone too far and has taken the yen exchange rate beyond the point of equilibrium. Thus, the impact on the economy can be said to have been much greater than before.

What does the real effective rate tell us? During the yen's earlier appreciation, we see in the nominal rate a 5.7-percent increase in the value of the yen on an average quarterly basis, while in the real effective rate, the increase was limited to 3.2 percent. What this tells us is that the yen gained in value against the dollar, but since this was also true of other world currencies, devaluations against the yen were not all that significant.

In last year's case, however, the average quarterly increase in the nominal rate was 7.1 percent compared to 7.4 percent in the effective rate. In other words, the yen gained against the dollar on its own, and in this sense as well, last year's appreciation seems to have had a bigger impact than before.

Although a breakdown in the framework talks was avoided, prospects are dim for any noticeable improvement in Japan's current account surplus, and it looks as though the yen will remain high for the immediate future. However, in order for the impact on the economy to be correctly understood, attention must be paid not only to the nominal rate but also to movements in the equilibrium and effective rates. There will be a significantly greater impact the more the yen appreciates beyond the point of equilibrium and moves independently of other currencies.

Export Volume Index

952A01380 Tokyo NIHON KEIZAI SHIMBUN in Japanese 27 Oct 94 p 31

[FBIS Translated Text] Export Volume Index—Fails To Reflect Higher Value Added Trend

There are various kinds of statistics related to exports, each one useful for different purposes. In looking at the trade balance, we use dollar-based export figures. Usually, when we want to know about exports in relation to corporate profits, our analysis will use yen-based export figures.

In using nominal export figures, however, we should remember they are directly influenced by exchange rate fluctuations. Do we want to use these figures to determine export trends? What sort of indicators are the best?

Finding a Substitute for Real Exports. "Real exports" is one of the indicators associated with exports. It is derived by taking the total amount of all exports and dividing this figure by the rate at which prices have increased, thus giving us an amount which leaves out price fluctuations due to changes in the exchange rate. This is considered the best way to understand what is actually happening with exports. The problem, however, is that official statistics of this sort are not readily available.

What is used instead to determine trends is the export volume index. Put out by the Ministry of Finance, it is a quantum index targeting some 1,630 items, using 1990

as its base year (where 1990 = 100). Quick estimates for the previous month are released about 10 days after the close of the report month.

We can easily determine export trends during the 1980's by looking at changes in the index during this period. For example, we see a drop in the rate of growth in exports during the worldwide recession of 1982 and again during the recession in 1986 following the yen's appreciation. Almost the same shifts are seen in real exports, thus showing the effectiveness of the quantum index as an alternative.

Limits of Quantum Indexes. From the beginning of the 1990's, however, the two measures began to diverge quite noticeably when growth as indicated by the export volume index continued to fall below those levels shown by real exports. Behind this divergence we find the trend toward more value added export products.

The difference between the export value index and export price index can be understood in terms of this trend toward more value added (higher per unit prices of) manufactured goods. The reason is that the price index compares the price of export products of equal quality at different points in time; the value index, on the other hand, compares prices which have taken changes in quality into account. It is when unit price increases due to improvements in quality that discrepancies arise between the two indexes in reflecting growth in exports.

Considered from this perspective, the trend toward higher value added products evolved from around 1989 and reached its peak from between 1991 and 1992. It probably developed from changes in the way production was approached by businesses, especially after the yen's appreciation in 1985, and from changes in the composition and makeup of their products.

In other words, with their products no longer competitive in terms of price due to steep increases in the yen's value, export manufacturers aggressively turned to foreign direct investment and expanded local production. This gave rise to a division of labor in which inexpensive, popular items were produced overseas and profitable, high-quality, competitive products were produced at home, thus contributing to higher unit prices.

Also related to this rise in unit prices was the trend among firms to turn to higher value added products in order to increase their per unit volume profits. For example, the percentage of all conventional cars which were exported to the United States jumped from 24 percent in 1988 to 40.3 percent in 1989.

Higher unit prices affect real exports but have no effect on the quantum index. Thus, during periods when there is a move toward more higher value added products, the quantum index underestimates export growth and has limitations in that it fails to reflect changes in the export structure. To assess trends more accurately, we have to

pay attention not only to the index, but also to structural changes such as the move toward higher value added export products.

Quantum Index, Getting Closer to Reality. Since 1992 very little progress has been made in developing new technology, and the move toward higher value added products has all but come to a standstill. Although a gap has existed between growth rates as shown in real exports and the quantum index, recently this gap has narrowed. After reaching 6.1 percent in the third and fourth quarters of fiscal 1990, the gap shrank to somewhere over 3 percent until the first quarter of fiscal 1993 (at which time it was 4.3 percent) and is still narrowing further. Although the quantum index has tended to underestimate the growth in real exports the more manufacturers moved toward higher value added products, such underestimations are now less pronounced.

It is still true, however, that there is a chance of misjudging the actual export situation using only the quantum index. Care must always be taken to have an accurate grasp of such forces of change as the trend toward higher value added products.

Import Volume Index

952A0138P Tokyo *NIHON KEIZAI SHIMBUN* in Japanese 28 Oct 94 p 31

[FBIS Translated Text] **Import Volume Index—Not in Alignment With Domestic Demand, Domestic Production**

Targeted by countries in Asia and elsewhere, Japan's markets are being besieged by imported goods. Despite sluggish domestic demand, there has recently been a sharp increase in imports. This pattern is clearly a departure from the past, and the relationship between imports and the economy can be expected to change as well.

Correlation Existed Between Imports and Real GDP. The monthly trade figures (clearance statistics) which are released by the Ministry of Finance provide a detailed glimpse into import trends. The reports, which come out at midmonth, provide timely access to data for the previous month.

Import-related statistics include clearance totals (dollar and yen amounts) as well as volume and price indexes. The import volume index is the best suited for grasping import trends. Indexing import volume to a base year (currently, average import volume in 1990 = 100), it indicates the status of imports on the basis of volume rather than nominal factors such as changes in oil prices or in exchange rates.

Until fiscal 1992, there was a correlation between import volume and real growth in GDP [gross domestic product]. When the GDP growth rate took off in the period between 1986 and 1988, rising from 2.9 percent to 4.7 percent and by the third year to 6.0 percent, the quantum index of imports also showed a growth for

these years of 8.4 percent, 13.8 percent, and 15.0 percent, respectively. Although the levels differed, the changes were moving together in tandem. This was also the case when the growth rate began to fall from fiscal 1990. When the GDP rate fell to 0.4 percent in fiscal 1992, the quantum index also fell sharply to 0.0 percent (showing no growth).

Imports Taking the Place of Domestic Products. Then, in fiscal 1993, something happened. Although real GDP failed to show any growth, the quantum index reversed directions to show a 5.6-percent increase. This trend has continued into fiscal 1994, indicating our former view—that imports reflect domestic demand and production—will have to be revised.

Using the Ministry of International Trade and Industry [MITI] *Table of Total Supply in the Mining and Manufacturing Industries* to determine the degree to which imports have penetrated Japan's markets, we see that consumer goods are clearly on the rise. The "penetration level" of a particular import is its volume-based share of the domestic market. In other words, volume is divided by the total supply of the item (both imported and produced at home).

In fiscal 1993, the level of penetration of imported durable consumer goods increased by 1.4 points from the previous year to 6.8 percent. This trend has also continued in 1994, with the penetration level in the second quarter reaching the 8.5-percent level. The level for nondurable consumer goods rose for this quarter by 18.5 percent. This increased penetration level at a time when demand is sluggish indicates that imports are taking the place of domestic products.

In the background, one of the scenarios we will find is that, as events continued to push the yen higher, a wider gap developed between the price of domestic and foreign products, and consumers increasingly began to feel that imports were a better bargain than domestic goods. Faced with stagnating demand and the "collapse" of prices in the midst of a recession, manufacturers and distributors came to deal with imports more aggressively.

A second factor accounting for this higher penetration level is the increase in reverse imports due to expanding overseas production.

Color television sets and VTR's [video tape recorders] are typical examples. In fiscal 1993, the number of these television sets, most of them reverse imports, increased 84.5 percent over the previous year and, in the case of VTR's, by 33.6 percent. In both cases, there has been vigorous expansion.

Manufactured Imports on the Rise. Leading the list of imports before were things like raw materials, energy-related resources and capital goods, which supported domestic production. Consumer items often conveyed the image of being a high-quality "foreign import" and

thus catered to the demand for value added products that periods of prosperity give rise to. More recently, as foreign products have expanded their share of the market, imports are making their presence felt in every corner of life in the form of competition for domestic goods.

Imports are not end products that reflect domestic economic activity. They are forces that exert an influence and yet move independently.

While the road to full recovery is said to be a slow, gentle climb, imports are climbing a sharp rise. The difference in the pitch of the slopes can be accounted for by an increase in demand that is not tied to domestic production. Acting with increasing independence, imports may possibly become the Pandora's box that plays mischief with businesses' hopes for recovery.

International Balance of Payments

952A0138Q Tokyo NIHON KEIZAI SHIMBUN in Japanese 29 Oct 94 p 29

[FBIS Translated Text] **International Balance of Payments—Real Trade Balance Continues To Shrink**

Timely Trade Statistics. Trade disputes and the rising value of the yen have brought further attention to Japan's trade surplus. Although the Ministry of Finance [MOF] releases quick estimates of the balance of payments (including visible trade and current account balances) around the first week of each month, a two-month lag exists between these reports and the actual report period. If all we want are figures on the visible trade balance, a better place to look for quick, more timely information are MOF's custom clearance reports, which are released mid-month for activities the previous month. Statistics on activities for the first half of the month are released even earlier.

Balances based on clearance statistics, however, differ somewhat from the standards used by the International Monetary Fund (IMF). Clearance statistics specify the value of imports or exports when they are being cleared through customs. Balance of payments, on the other hand, according to the standards set by IMF, is calculated at the time when ownership is transferred. Thus, customs-cleared import figures, because of freight charges, insurance, and so on, end up being higher than figures based on the balance of payments. Gold investment accounts, which were popular during the recent speculative boom, were only counted as imports in balance-of-payment figures, since the gold was kept where it had been bought for safekeeping and not sent through customs. This in turn also gave rise to a gap between clearance figures and the balance of payments.

Dollar-Based Trade Figures Change According to Yen Rate. In looking at the balance of payments, people focus on dollar-based amounts. Yen-based figures for balance of payments or trade balances are preferred for statistical purposes but, for international comparisons, balances

are easier to understand when they are dollar-based, and news reports are primarily dollar-based as well.

When the yen rate or the price of crude oil changes, the price and dollar amount of trade items are also affected. This is particularly true when there are steep increases in the value of the yen. The dollar-based price of exports goes up and, even without any changes in the volume of trade, the surplus continues to get larger. This is due to the so-called J-curve effect.

If we look at the real trade balance—this is where real imports (customs-cleared imports divided by import prices) are subtracted from real exports (customs-cleared exports divided by export prices) to eliminate price fluctuations—we see that with the yen's appreciation the balance started to shrink from the second quarter of 1993 and at the beginning of 1994 had dropped 20 percent compared to the year before.

The dollar-based trade balance continued to grow until the first quarter of this year but, then, from the second quarter began to shrink. The decline, however, has been very small. What we have been seeing is the nominal, dollar-based balance swell due to the J-curve effect following the yen's appreciation.

In 1993, when the yen was rapidly appreciating, there was only a small change in the relative prices of exports and imports, but from the beginning of 1994, as the yen's rapid rise began to lose momentum, the relative price of exports rose, and the J-curve effect took deeper hold.

Conversely, the yen-based surplus, moving more in step with the real balance, has been shrinking since the second quarter of 1993. In other words, there has been a substantial drop in the price of yen-based exports. Still, the surplus has shrunk by a much smaller margin than the real balance. The reason is that, with the yen's appreciation, the price of yen-based imports fell, contributing to a bigger surplus.

A yen-based balance is convenient if we want to gauge the influences on corporate profits, but is unsuited for assessing the real situation. There are no official statistics on the real trade balance, but it is important to understand the direction in which it is headed by looking at quantum trends in export and import goods.

The yen's recent appreciation has called for severe adjustments. Exports have started to recover due to Asia's expanding economy, but since imports are still growing, it looks like the real balance will continue to shrink. Gradually, as prices no longer become a factor, the dollar-based surplus will also probably shrink by an even larger margin.

Investment Earnings Are Main Factor in Current Account Surplus. In addition to the visible trade balance, the current account includes what is called an invisible balance. Of all the "invisibles," profits earned from investments have the most effect on the current balance.

The investment profits balance is what is left after payments have been subtracted from all interest and dividend payments, etc., that have been received from abroad. Since the mid-1980's, this balance has grown rapidly as Japanese net overseas assets increased. In fiscal 1993, the balance amounted to \$40.3 billion, or close to one-third of the current surplus (\$130 billion).

Among the invisible trade items, the deficit balance from tourism (in fiscal 1993, this amounted to \$24.1 billion) came to offset the surplus balance from investment profits, and the invisible trade balance has continued on a deficit note. However, as long as the current account has a surplus balance, overseas assets will continue to grow. This year, world interest rates rose. Partly for that reason, the surplus balance in investment profits grew, and the invisible balance, for the first time on a fiscal year basis, turned into a surplus, raising the possibility that the current surplus will exceed the trade surplus. Trends in investment profits are becoming increasingly important.

Trends in Nominal Prices

952A0138R Tokyo NIHON KEIZAI SHIMBUN in
Japanese 2 Nov 94 p 31

[FBIS Translated Text] **Points to Consider—Paying Attention to Trends in Nominal Prices**

Shown in this series were the various statistical problems that have developed in conjunction with changes in the economy. When the problem is in the nature of the statistics themselves, the responsibility lies with those in authority to correct it. As users, it is our responsibility to be aware of the nature of our data—its limitations and strong points—as well as changes in the environment that may affect their use.

Aside from specific problems, there are also at least three general points that users should keep in mind when looking at economic statistics.

Level of Indicators Is Low. The first point to consider is the level of activity shown by economic indicators.

Business and economic statistics usually focus on year-over-year or monthly or quarterly changes. No one would dispute the importance of understanding the rate and direction of change. But previous month or previous quarter or even year-over-year comparisons give us only a limited view of change.

In the course of this current business cycle, many indicators rose dramatically with the Heisei boom and fell just as dramatically with the Heisei recession. Things have been improving this year, but levels are still low. For example, even though the industrial production index rose from the first to third quarters of this year, the third quarter level was still 10 percent lower than the peak first quarter of 1991. Again, while there seem to be definite signs of a recovery in passenger cars, the number

of new registrations for the third quarter of this year were still only 85 percent of what they were in the third quarter of 1990.

If we are assessing the business situation in terms of the "direction" of change, then we can probably point to a recovery. But seeing low operating ratios or profit levels, companies are probably far from enjoying a sense of prosperity and well-being. Business cycles have the properties of expanding and contracting. It would be nice if recoveries were absolutely certain to be sustained, but when there are large gaps in supply and demand—for example, with regard to employment or investments—the danger always exists that this will have a dampening effect on demand (on investments or spending) and be a setback to recovery.

Sluggish Growth in Nominal Values. The second point that requires consideration is the fact that nominal values are climbing at a slower rate due to disinflation.

Because of the deepening recession, by fiscal 1993 growth in real gross domestic product had come to a standstill. Even more extraordinary was the extremely low rate of growth shown in nominal GDP [gross domestic product], which fell below the 1 percent mark in 1993 to 0.8 percent. Even in fiscal 1974, when the real growth rate fell below zero for the first and only time in postwar history, the nominal growth rate was at 18.6 percent. The kind of dramatically low nominal growth rates we have been seeing in recent years is also unprecedented in our postwar experience. Every nominal indicator, including those based on wages and corporate profits, is showing unusually low economic growth.

Most of the statistics on the economy and business show a preference for real values. Nominal values tend to be skimmed over and treated lightly. There are definitely practical advantages to eliminating the influence of price fluctuations from the data. On the other hand, when large fluctuations occur, nominal values can also influence the economy on their own.

For example, when there is very little nominal growth in incomes or in sales, this alone may have a psychological effect: speculators may be less inclined to speculate and businesses and households may be less inclined to spend and invest. Besides real values, we must also pay attention to nominal trends.

Stock Market Statistics Are Also Important. Thirdly, we should remember that indicators like those associated with services are becoming more important. One type in particular—stock indicators—deserves our attention.

Fluctuations in stock and land prices and accompanying changes in the value and size of assets during the course of the speculative "bubble" boom and recession exerted a strong influence on the economy through phenomena like the wealth effect or its reverse effect and on capital gains. In 1991 and 1992, Japan's national wealth (net national assets) shrank, in large part due to the fall in

land values. Information about trends in stock and land prices, besides being able to tell us about the tempo and course of recovery, is indispensable as a tool for judging the size and scope of the national economy.

Capital stock is also important. By looking at data on real capital stock, the counterpart to capital investments (flow), we understand, for example, that even though there has been a substantial drop in investments—partly due to the accumulation of stock during the Heisei boom—its ratio to real GDP is extremely high, suggesting the possibility that the adjustment phase is not yet over. Because of the extent to which there has been a buildup of capital stock in Japan's economy, it is also important in flow analysis to compare various data related to stock.

MITI To Help Develop Multimedia Technology

*OW1401050895 Tokyo KYODO in English 0446 GMT
14 Jan 95*

[FBIS Transcribed Text] Tokyo, Jan. 14 KYODO—Six major Japanese electronics manufacturers and a computer software house, along with the Ministry of International Trade and Industry (MITI), have agreed to set up a company to develop core multimedia communications technologies, company sources said Saturday [14 January].

They said the venture, to be established in late March, represents coordinated Japanese Government-business efforts to catch up with advanced U.S. technologies and is intended to alleviate a heavy development cost burden on individual companies.

The company, Digital Vision Laboratories, will be capitalized at 6 billion yen and owned 70 percent by a MITI affiliate for development of basic technologies and 30 percent by Matsushita Electric Industrial Co., NEC Corp., Sony Corp., Toshiba Corp., Fujitsu Ltd., Hitachi Ltd. and ASCII Corp., the sources said.

Specifically, the company will seek to develop multimedia communications software and to establish standards for data exchanges through the high-definition television system and computer-linked cable television, the sources said.

Mitsubishi To Develop Next-Generation Radar

*OW1901014495 Tokyo KYODO in English 2325 GMT
18 Jan 95*

[FBIS Transcribed Text] Tokyo, Jan. 19 KYODO—The Defense Agency has informally decided to appoint Mitsubishi Electric Corp. as the main contractor in its next-generation radar project for fiscal 1995, the NIKKAN KOGYO SHIMBUN said Thursday [19 January].

The agency has also chosen NEC Corp. and Toshiba Corp., two other major telecommunications manufacturers, to cooperate in the project, the industrial daily

said. It is unusual for the three companies to come together in a development project and the results of the research will attract attention, the paper said.

The agency is to spend 1 billion yen within the next three fiscal years for test experiments of the radar, which will be able to detect the movement of specified objects in a larger area than current radars and will have stronger defensive capabilities against attacks, the paper said.

North Korea

President Clinton Cited on Framework Accord

SK1901105795 Pyongyang KCNA in English 1037
GMT 19 Jan 95

["Clinton Justifies DPRK-U.S. Framework Agreement, World Public Supports its Implementation"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, January 19 (KCNA)—The U.S. Administration was right when it signed the nuclear agreement with North Korea in October last year, said U.S. President Clinton in a recent speech on the foreign policy.

In the speech, Clinton reportedly said those critical of the framework agreement between the DPRK and the United States have wrong ideas.

He added that the agreement concluded with North Korea is definitely in the national interest of the United States and that those critical of the agreement have raised a motion that can replace this nuclear agreement. Voices supporting the DPRK-U.S. framework agreement are ringing out from different parts of the world. Especially, the honest implementation of the agreement by the DPRK and the United States is positively estimated in many countries including the United States.

U.S. Assistant Secretary of State Lord recently said that Korea has so far faithfully implemented the agreement, adding that the United States would promote the (support) of alternative energy to North Korea by January 21 as stipulated in the nuclear agreement.

The spokesman of the U.S. State Department in a recent news briefing said the United States would regard as definitely positive the measures taken by North Korea to reduce restrictions on trade with the United States.

THE NEW YORK TIMES and other press media of the United States warmly welcome the DPRK's honest implementation of the agreement.

The ANSA News Agency of Italy recently said Pyongyang's measure shows its will to honestly implement the framework agreement between the DPRK and the United States.

It criticised the Republican majority of U.S. Congress and the rightist forces of Japan for hindering the implementation of the agreement, and said the improvement

of relations between the DPRK and the United States would lead into the process of complete normalisation.

A recent edition of the Russian paper KOMMERSANT daily said the measure taken by the DPRK [words indistinct] the implementation of the agreement was the first stride toward normalisation of economic relations between the DPRK and the United States.

Radio Voice of America quoted an official of the U.S. Administration as saying that the U.S. Government was taking measures to open trade with Pyongyang.

BBC reported that the first portion of heavy oil provided by the United States to North Korea pursuant to the framework agreement arrived in Sonbong Port, Korea.

ROMPRESS and a radio of Romania, the Romanian paper ROMANIA LITERARA, Radio Vatican, the Vatican paper L'OSSERVATORE ROMANO and other newspapers, news agencies and radios of many countries publish news supporting the implementation of the DPRK-U.S. agreement.

Japan-U.S. Joint Military Exercise Denounced

SK1901145495 Pyongyang Korean Central
Broadcasting Network in Korean 1223 GMT 18 Jan 95

[Commentary by Kim Ho-sam: "Dangerous Conspiracy and Collusion Aimed at the Korean Peninsula"]

[FBIS Translated Text] According to news reports, a Japanese-U.S. joint Army command post exercise will be conducted for 12 days from 23 January to 3 February.

Reportedly, participating in this military exercise from the Japanese side will be as many as 2,000 troops, including the superintendent general-led Northwest Regional Army of the ground Self-Defense Forces, the staffs of the 4th Division, the Eighth Division, the First Composite Unit, the Maritime Self-Defense Forces, the air Self-Defense Forces, and the cadres of the Joint Chiefs of Staff.

Also participating in this exercise from the U.S. side will reportedly be about 1,400 troops, including the commander of the U.S. Army stationed in Japan; and those from the U.S. Army Command in Japan, the 1st Army Corps Headquarters, the 25th Army Division, and the 5th Air Force Command.

The news reports this military exercise will be conducted at U.S. Forces in Japan Yokota Military Base.

The Japanese-U.S. joint Army command post exercise, which will be conducted several days later, is a very dangerous war exercise in view of the vast scale of the Japanese and U.S. troops and of the location of the exercise.

A Japanese newspaper has commented that some people have a strong view that this military exercise will be conducted on the assumption of an emergency in Korea [choson]. Such an estimation can never be unfounded.

In essence, the Japanese-U.S. joint Army command post exercise is a large-scale aggressive war exercise aimed at holding in check the socialist countries in Asia and at crushing [apsal] our Republic under the cooperation of the U.S. and Japanese military forces. Herein lies a great danger of this military exercise.

Nowadays, the United States and Japan have been further intensifying their military collusion and conspiracy to dominate the Asian and Pacific region.

In a meeting with U.S. congressmen when he visited the United States on 11 January, a Japanese person in authority stressed the need to further develop bilateral relations to seek peace, security, and stability in the Asian and Pacific region. In the so-called New Year's address, the director general of the Japanese Defense Agency, too, emphasized the necessity to further strengthen the Japanese-U.S. security system contributing to the peace and security of the Asian and Pacific region.

Saying at every opportunity that the 21st century will be the era of Asia and the Pacific, the U.S. officials involved in foreign affairs and national defense have also said that it is necessary to consolidate the Japanese-U.S. security system.

Under such circumstances, the chairman of the U.S. Joint Chiefs of Staff has been visiting Japan and South Korea beginning 16 January, thus holding military conspiracy [moui] there.

As mentioned above, the large-scale Japanese-U.S. joint Army command post exercise will be conducted at Yokoda Base for as many as 12 days from 23 January to 3 February. This military exercise is aimed at preparing for an emergency on the Korean peninsula. This is shown by the fact that, with regard to the location of exercise, breaking away from their past practice, they are going to conduct this exercise in Kyushu. Up until recently, such a military exercise has been mainly conducted in Hokkaido and (Tohoku). As an exception, they are going to conduct this year's exercise in Kyushu—from which the Korean peninsula is easily seen—on the southern tip of the Japanese islands. Their operational attempt is to better adapt the troops of the Japanese Self-Defense Forces and U.S. troops to the topographic conditions of the shores of the Korean peninsula.

Then, for what purpose are the Japanese reactionaries and the U.S. military circles trying to wage an adventuresome military exercise, while strengthening their collusion and conspiracy? This is designed to suppress the anti-imperialist, pro-independence force, which is rapidly growing in Northeast Asia—including our country—by any means [ottokehana]; and to realize the complete political and military domination of the United States and Japan over this region.

In particular, the Japanese reactionaries and the U.S. hard-line conservative forces are concentrating their

main efforts on trying to crush [apsal] our Republic, which is constructing socialism centered on the popular masses under the anti-imperialist, pro-independence banner, and which is exercising greater revolutionary influence on the world's people with each passing day.

To attain such a goal, they are passing around indiscriminately the fabricated pretext that our Republic is threatening the peace and security of Asia. This is nothing but sophistry.

Today, in Asia, no country is threatening the security of Japan, and, furthermore, no country is regarding Japan as the target of attack.

This is also the case with the United States. No country is threatening the United States, and no country is infringing upon U.S. interests.

In conformity with the DPRK-U.S. framework agreement, our country is faithfully implementing what is in the agreement. At the present moment, the two countries' relations are smoothly developing [chokke palcho-nhago itsumnida] in accordance with mutual interests.

This notwithstanding, the United States and Japan are stressing the need to consolidate the Japanese-U.S. security system for the security of the Asian and Pacific region. This shows that their wicked ulterior motive is to find a justification to realize their insidious ambition of aggression and plunder.

In collusion and conspiracy with the U.S. military circles, the Japanese reactionaries are trying to surprise [nollaeuryo] us. This is a miscalculation.

Suppression and threat [apnyokkwa wihyop] will never work on us.

The U.S. and Japanese reactionaries [mil pandongdul] should give up their adventuresome military exercise. Recklessly playing with fire will never bring a good result to the United States and Japan.

Minister Meets With U.S. Scholar, Delegation

SK1901110595 Pyongyang KCNA in English 1041 GMT 19 Jan 95

[FBIS Transcribed Text] Pyongyang, January 19 (KCNA)—Vice-premier and Foreign Minister Kim Yong-nam today met and had a friendly talk with Kim Yong-chin, director of the Centre for East Asian Studies of George Washington University of the United States, and his party at the Mansudae Assembly Hall.

ROK 17 Jan DMZ Military Activity Denounced

SK1901050995 Pyongyang KCNA in English 0432 GMT 19 Jan 95

[FBIS Transcribed Text] Pyongyang, January 19 (KCNA)—The South Korean puppets illegally brought three 106-mm recoilless guns and tens of bandits armed with machine guns and automatic rifles to an MP

[military police] post in the Demilitarized Zone (DMZ) in the central sector of the front on January 17, according to military sources.

The armed bandits deployed the murderous weapons on right and left ridges before the MP post and took firing posture toward a civil police post of the North side for hours, seriously threatening the personal safety of our civil police members.

The military provocation is a deliberate and premeditated action of the Kim Yong-sam fascist clique to lead the situation along the Military Demarcation Line to a high pitch of strain.

The South Korean puppets must immediately withdraw all the armed bandits and heavy weapons from the DMZ, clearly mindful of grave consequences of the worsening tension along the Military Demarcation Line.

Paper Comments on Conflict Within ROK's DLP

*SK1901053395 Pyongyang KCNA in English 0453
GMT 19 Jan 95*

["MINJU CHOSON on Veiled Strife Within 'DLP' of South Korea"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, January 19 (KCNA)—The conflict between the force of traitor Kim Yong-sam's "Democratic Party" origin, which has been lobbying for the resignation of Kim Chong-pil, "chairman of the Democratic Liberal Party [DLP]" of South Korea, and the force of Kim Chong-pil's "Republican Party" origin reacting angrily to it has grown acute since the end of last year with the result that the "DLP" finds itself on the verge of collapse and the factional strife within the ruling quarters has surfaced.

In a commentary captioned "Dog Fight Between Political Charlatans Digging Their Own Graves" MINJU CHOSON today says: The wretches who befriended each other have got at each other's throat. This is little different from a fight between wolves growling at each other to take a lion's share of meat after a hunting.

The dog fight between South Korean political mountebanks who meet and part for power with no clear isms and views is their inveterate bad habit. Kim Yong-sam and Kim Chong-pil have campaigned to court the favors of outside forces while competing in anti-popular and anti-national treacheries in order to grab power.

The veiled strife between Kim Yong-sam and Kim Chong-pil is, in fact, based on their admission of the total failure of the anti-popular and anti-national "internal, external and northern policies". Therefore their fight to shift the blame for it at the other's door tells us that they are as like as two peas.

In this strife they will only stand naked as despicable political charlatans and meet their destruction by facing judgement by the people.

SKNDF Criticizes ROK National Security Law

*SK1901052095 Pyongyang KCNA in English 0423
GMT 19 Jan 95*

["Hanminjon on Anti-Democratic, Anti-Reunification Nature of 'NSL'"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, January 19 (KCNA)—The Propaganda Department of the Central Committee of the South Korean National Democratic Front [SKNDF] (Hanminjon) issued a paper on January 10 exposing the anti-democratic, anti-reunification fascist nature of the "National Security Law" (NSL). Seoul-based radio Voice of National Salvation reported.

Branding the "NSL" as the worst law ever known in the world law history and fetters binding ideological freedom, the paper lays bare its anti-democratic, anti-reunification nature.

The paper says:

The "NSL" was manufactured without legislative procedures against the will of our people.

According to a script written by his American patrons, the traitor Syngman Rhee fabricated and proclaimed the "NSL" on December 1, 1948, under the pretext of "preventing the communist forces from infiltrating into South Korea."

New muscles and provisions have been added to the "NSL" to be tailored to its anti-communist, anti-reunification and anti-popular nature for the maintenance of the successive fascist dictatorial regimes. And it was revised for the worse by the dictatorial regime of the "Democratic Liberal Party" in the 1990s as a tool for propping up the colonial rule and freezing the division of the country.

It is the worst fascist law in history which stamps out justice, democracy and freedom and a truculent anti-national, anti-reunification law which defines the fellow countrymen in the North as the "enemy" and criminalizes and suppresses the fellow countrymen's movement for reunification.

Its anti-democratic nature finds expression in that it is designed to put down the demand for the independence and democratization of the society and vital rights and the freedom of ideology and conscience and even the freedom of speech, the press, art and expression.

Its anti-national, anti-reunification criminal nature is illustrated in that it defines the North as an "anti-state organization" and all the people in the North as "members of the anti-state organization" and make short shrift of the national reunification movement of the Koreans in the North, the South and overseas.

South Korean people of various social strata have been persecuted by the "NSL" on false charges. Such persecution has been carried into extremes under the Kim Yong-sam "civilian" regime.

Driven into a catastrophic crisis with the failure of "civilian reforms," the Kim Yong-sam regime created the "situation of a new security-oriented rule" with all the repressive tools put in motion and launched a wholesale brutal suppression of the democratic and patriotic forces desirous of independence, democracy and reunification, labeling them as "forces intending to overthrow the system" and "pro-communist forces benefiting the enemy." The hysteric row kicked up by the traitor Kim Yong-sam by invoking the "NSL" to ban the expression of condolences on the death of President Kim Il-song was the blackest crime against ethics and the nation beyond human imagination.

Recalling that international organizations, political parties and organizations of many countries and even the U.S. Government are urging the abolition of the "NSL", the paper stresses that the "NSL", which is an unprecedented fascist law going against the trend of the time, no longer has a *raison d'être*.

ROK Prisoner Requests Aid From UN for Return

*SK1401050795 Pyongyang KCNA in English 0430
GMT 14 Jan 95*

[FBIS Transcribed Text] Pyongyang, January 14 (KCNA)—Kim Yong-tae, 65, who was kept in prison for many years in South Korea for his refusal to be converted, sent a letter to the president of the United Nations Commission on Human Rights in November last year requesting help in his returning to his hometown and meeting his dear son.

He was born in Chongju County, North Pyongan Province, the Democratic People's Republic of Korea. He served at a transport company of the 10th division of the Korean People's Army (KPA) during the Korean War. He was separated from his unit after being attacked with the so-called germ bomb disease. Later, he had participated in guerrilla activities behind the enemy lines until he was taken prisoner around February 1952. He suffered behind bars for a long period.

He, still kept in South Korea, wrote in his letter that the South Korean authorities forced indefinite imprisonment on him without any trial or a definite prison term for the reason that his family and relatives were living in the North, his hometown was in the North and he had served a prison term without ideological conversion, alleging that he was likely to commit crimes again. "This is an inhuman, unethical and murderous crime depriving a man of his basic human rights," he said.

Contending that his repatriation is legitimate in view of humanitarianism, social morality and international law based on the Geneva convention, he requested the president of the UN Commission on Human Rights to see to it that he was ensured the basic rights from the humanitarian point of view.

International Liaison Committee Issues Bulletin

*SK1901045495 Pyongyang KCNA in English 0409
GMT 19 Jan 95*

[FBIS Transcribed Text] Pyongyang, January 18 (KCNA)—The International Liaison Committee for the Reunification and Peace in Korea printed bulletin No. 1 on January 9.

It edited articles headlined "Let Us Open New Phase for Independent and Peaceful Reunification of Korea in 1995, a Significant Year in History of the Korean Nation", "South Korean Authorities Must Demolish Concrete Wall Built by Military Dictators" and so on.

The bulletin said that President Kim Il-song put forward the basic principle, programme and ways for Korea's reunification in his lifetime and devoted his all to the reunification of the country till the last moments of his life.

The International Liaison Committee, an international coordinating organisation of the Solidarity Movement for the Reunification of Korea, will conduct an extensive movement for Korea's reunification together with the peaceloving people all over the world according to the challenging programme "Korea is one", it stressed, adding:

The "National Security Law," a tool of suppression of those who aspire after independence, democracy and reunification in South Korea and the wall of artificial division are the main obstacles to reunification and dialogue.

The committee strongly urges the South Korean authorities to immediately eliminate legal, institutional and physical hurdles to the reconciliation, peace and reunification of the Korean nation.

In an article entitled "What does the U.S. Army copter case show?" the bulletin said that the United States should withdraw its nuclear weapons and troops from the Korean peninsula and replace the Korean armistice agreement with a peace one.

India, Pakistan Support People's Reunification

*SK1601235895 Pyongyang KCNA in English 2131
GMT 16 Jan 95*

[FBIS Transcribed Text] Pyongyang, January 16 (KCNA)—Meetings were held in India and Pakistan recently to voice support to the appeal of the Standing Committee of the Supreme People's Assembly of the Democratic People's Republic of Korea demanding the demolition of the concrete wall built by the U.S. imperialists and the South Korean authorities in the area South of the Military Demarcation Line.

Present there were President of the Asian Regional Institute of the Chuche Idea T.T. Oukherjee [spelling of name as received] and other followers of the chuche idea in India and political and public figures of Pakistan.

The speakers at the meetings said they would actively support and encourage the Korean people in their struggle to reunify the country independently and peacefully in accordance with the 10-Point Programme on the Great Unity of the Whole Nation, closely united around the great leader Comrade Kim Chong-il.

The statement adopted at the meeting in Pakistan urged the South Korean authorities to immediately remove the obstacles to the reunification such as the concrete wall and the "National Security Law" and respond to the proposal to achieve the peaceful reunification of Korea by the Confederacy formula.

Premier Sends Sympathy Message to Japan's Premier

*SK1901050495 Pyongyang KCNA in English 0414
GMT 19 Jan 95*

[FBIS Transcribed Text] Pyongyang, January 18 (KCNA)—Kang Song-san, Premier of the Administration Council of the Democratic People's Republic of Korea, sent a message of sympathy today to Tomiichi Murayama, prime minister of Japan and chairman of the Central Executive Committee of the Japan Social-Democratic Party.

The message says:

Upon receiving the sad news that a big earthquake in the Japan region of Kinki entailed a heavy toll of human lives and material losses, I express deep condolences to you and, through you, to the people in the stricken areas and the bereaved families.

I hope that your country will recover from the quake damages and soabilise the life of the people in the stricken areas at an early date.

Cardinal Kim Demands Apology in Letter to Japan

*SK1501083395 Pyongyang KCNA in English 0815
GMT 15 Jan 95*

[FBIS Transcribed Text] Pyongyang, January 15 (KCNA)—Kim Su-hwan, Roman Catholic cardinal of South Korea, sent a letter to the Japanese Government on January 10 demanding an apology and compensation to the former "comfort women for the army", a Seoul-based radio said.

In the letter he demanded that the Japanese Government make clear the truth of the past history and honestly admit crimes of Japan and apologize for them.

He objected to Japan's scheme to resolve the "comfort women" issue with consolation money and demanded that the Japanese Government make a concrete compensation to the victims.

Secretary Hwang Chang-yop Meets Japanese Visitors

*SK1601103195 Pyongyang KCNA in English 1002
GMT 16 Jan 95*

[FBIS Transcribed Text] Pyongyang, January 16 (KCNA)—Hwang Chang-yop, secretary of the Central Committee of the Workers' Party of Korea, today met and had a friendly conversation with Yoshiyuki Oe [name as received], director of the Japan S.B.B. Company Ltd., and his party.

Present there was Yi Song-ho, vice-chairman of the Korean Society for Cultural Relations With Foreign Countries.

Referring to the advantages of social system of Korea, the director noted that the DPRK gives free education and free medical assistance to the people and provide them with dwelling houses free of charge.

Saying that such a country cannot be found in anywhere else in the world, he stressed that its foundation is the chuche idea.

"We will widely propagate the greatness of his excellency respected Kim Chong-il among the Japanese people," he said.

Kim Chong-il Sends Message to Japan's Chongnyon

*SK1901045695 Pyongyang KCNA in English 0411
GMT 19 Jan 95*

[FBIS Transcribed Text] Pyongyang, January 18 (KCNA)—The great leader Comrade Kim Chong-il sent a message of sympathy today to Han Tok-su, chairman of the Central Standing Committee of the General Association of Korean Residents in Japan (Chongnyon).

The message reads:

I have heard the unexpected news that a large-scale earthquake in the Japanese region of Kinki including Hyogo Prefecture inflicted great damages on Chongnyon organisations and Korean residents in the region.

Upon receiving this sad news, I express deep condolences to you Comrade Chairman Han Tok-su, the Central Standing Committee of Chongnyon, the Koreans in the stricken areas and the bereaved families.

I sincerely hope that all the organisations of Chongnyon and the Koreans in Japan will unite more closely to recover from the quake damages and achieve a stable life at an early date.

More Foreign Papers Carry Kim Chong-il's Work

*SK1601045995 Pyongyang KCNA in English 0443
GMT 16 Jan 95*

[FBIS Transcribed Text] Pyongyang, January 16 (KCNA)—"Socialism Is a Science," a famous work of

the great leader Comrade Kim Chong-il, was carried by the Ethiopian paper MONITOR, the Burkinabe paper LE PAYS and the Nicaraguan paper AVANCE.

The papers printed his portraits and pictures.

Kim Chong-il Sends Handwritten New Year Letter

SK1901020695 Pyongyang Korean Central Broadcasting Network in Korean 2209 GMT 18 Jan 95

[FBIS Translated Text] All people throughout the country, who lived through 1994, a year that can never be forgotten in the history of the fatherland, and who have embarked upon the first road of a grand march for 1995 in which they will build a new milestone, are overflowing with a great glory and happiness at having received a handwritten letter of love and trust [saranggwa midumui chinpil sohan] from Comrade Kim Chong-il, the great leader [yongdoja] of our party and people.

The handwritten letter from the great leader [yongdoja] Comrade Kim Chong-il to all the people reads as follows:

"We are greeting the New Year, sending off 1994 in blood and tears. Let all of us vigorously work together, in one mind and heart [hanmaum hanttusuro], to make our country, our fatherland, more prosperous and strong in a manner befitting fighters of the great leader [suryong] and disciples of the great leader [suryong].

[Dated] 1 January 1995

[Signed] Kim Chong-il"

The handwritten letter includes the dear leader Comrade Kim Chong-il's high (?political) responsibility for and expectations of our people, and his noble will to make our country, our fatherland, more prosperous and strong to demonstrate its dignity and might to the world with the wholehearted unity of the leader [suryong], the party, and the masses, and every line beats warmly with the great ideology [widaehan sasang] of the leader of the revolution [hyongmyongui yongdoja].

Amid the situation in which the people's firm will and burning pledge are overflowing throughout the country, resolution meetings to thoroughly implement the tasks set forth in the handwritten letter sent by the great leader [yongdoja] Comrade Kim Chong-il were held at central and local party organizations, organizations of government, administration, economy, working people's groups, education, science, public health, culture, arts, and mass media; various plants, enterprises, and cooperative farms; and units of the Korean People's Army and the Korean People's Security Forces.

The handwritten letter sent by Comrade Kim Chong-il, the great leader [yongdoja] of our party and people, was delivered at the meeting amid thunderous applause by the participants. Following this, discussions of resolutions were held.

The debaters stressed: While passing the year of 1994, the bitter year in which our people suffered the maximum sorrow and the greatest loss never before experienced in the 5000-year history of our nation, in blood and tears, our people have cherished deeply in their hearts the iron-like faith that the great leader Comrade Kim Il-song is forever with us, and that as long as the great leader [yongdoja] Comrade Kim Chong-il exists, the chuche socialist cause is ever-victorious.

They said: Although the great leader [yongdoja] Comrade Kim Chong-il suffered unbearable and great sorrow, he overcame the indescribable pain of the great loss with his strong will. Also, by leading the entire party, all the people, and the entire army to inherit and consummate the chuche revolutionary cause carried out by the fatherly leader [suryong] throughout his whole life, the great leader [yongdoja] enabled them to win a great victory in all fields of the revolution and construction last year.

They stated: The great Comrade Kim Chong-il [widaehan kim chong-il tongji] has put forward slogans of faith which read, "The great leader Comrade Kim Il-song is with us forever," and "Let us more thoroughly arm ourselves with the great leader Comrade Kim Il-song's revolutionary idea," deeply grasping the burning admiration and loyalty overflowing from the hearts of the people. Also, he has elucidated the road of revolution, a victorious road of socialism, for our people and progressive mankind by publishing an immortal and classical work "Socialism Is a Science."

They said they will deeply bear in mind the great confidence the respected and beloved Comrade Kim Chong-il has in them as revealed in his calling the people of the entire country the fighters and disciples of the great leader [widaehan suryong], and that they will devote their all in a manner befitting people who have the noblest titles in the struggle for the growth and prosperity of their country and their fatherland.

They said our country, our fatherland [nenara neejoguk] was the nation's hearth [salmui pogumjari] and the prosperous chuche socialist fatherland which the fatherly leader had provided and spent the 80 long years of his life adding luster to with all of his intense energy and efforts.

They stressed that while Tangun is the founder of our nation, the founder of socialist Korea is the great leader Comrade Kim Il-song.

The debaters noted that it is the iron-willed conviction, firm and invariable will, and consistent aspiration of our people to work vigorously for our glorious country and fatherland with one mind and will in a manner befitting the fighters and disciples of the great leader, and said that all the party members and working people should devote all their wisdom and energy to launching themselves into the implementation of the tasks set forth in his handwritten letter.

The debaters said that, above all, they should cherish the great leader [widaehan yongdoja] Comrade Kim Chong-il with boundless loyalty, filial dutifulness, and absolute trust, and remain loyal to his leadership to the end. They said they will further uphold the great Comrade Kim Chong-il with the loyalty and filial dutifulness that they failed to devote fully to the fatherly leader, and more firmly solidify the wholehearted unity of our revolutionary ranks to form a perfect harmonious whole with the leader, the party, and the masses.

The debaters said they will adorn this significant year marking the 50th anniversary of the founding of the Workers Party of Korea and the 50th anniversary of the national liberation as the most brilliant year in the history of our fatherland.

The debaters said that putting an end to national division and reunifying the country is the foremost task of the nation and that they will realize the reunification of the country in the nineties without fail following the road directed by the fatherly leader.

The debaters stressed that by thoroughly implementing the tasks set forth in the historic handwritten letter with pride in the great national fortune of being blessed with a leader generation after generation, they will demonstrate once again the indomitable spirit and great revolutionary traits of a *chuche* Korea advancing vigorously with wholehearted unity around the great leader Comrade Kim Chong-il.

Each meeting adopted a message of resolution.

Rallies Held on Tasks in Letter

*SK1901102295 Pyongyang KCNA in English 1006
GMT 19 Jan 95*

[FBIS Transcribed Text] Pyongyang, January 19 (KCNA)—People from all walks of life and People's Army soldiers vowed to thoroughly implement the tasks set forth in the autographic letter sent by the great leader Comrade Kim Chong-il to all the people on the New Year.

The letter of Comrade Kim Chong-il reads:

"We have seen out 1994 in tears of blood and greeted the New Year.

Let all of us work energetically in one mind to make our country, our motherland, more prosperous, as befits the soldiers and disciples of the great leader.

January 1, 1995.
Kim Chong-il."

The autographic letter represents his deep political trust in and expectation for our people and his noble intention to make our country, our motherland, more prosperous.

Rallies to thoroughly implement the tasks set forth by Comrade Kim Chong-il in his autographic letter were held at the party and power bodies, administrative and

economic organs, working people's organisations, institutions of education, science, public health, culture and art and the press in the capital and local areas, industrial establishments and cooperative farms across the country and units of the Korean People's Army and the Korean People's Security Forces.

The speakers at the rallies stressed that, seeing out in tears of blood, 1994, the year of bitterest sorrow and greatest loss, and greeting the New Year, the people felt their hearts filled with the faith that the great leader Comrade Kim Il-song will always be with them and the socialist cause of *chuche* will surely win as it is guided by the great leader Comrade Kim Chong-il.

They resolved to always remain faithful to the leadership of Comrade Kim Chong-il with intense loyalty and filial piety to him and absolute worship of him.

They laid stress on effecting a great revolutionary upswing in all sectors of socialist construction in order to make this year in which falls the 50th anniversaries of the foundation of Workers' Party of Korea and the liberation of the country, a most significant year in the history of the country.

It was emphasized at the rallies that (?morales) of attaching importance to the military affairs should be established in whole society, the all-people defence system be consolidated and the [words indistinct] Army-people unity be brought into full play.

They vowed to accomplish the cause of national reunification in the 90s without fail along the road indicated (?by the fatherly leader Kim Il-song.)

Kim Chong-il Thanks Agriculture-First 'Agitators'

*SK1401043495 Pyongyang KCNA in English 0421
GMT 14 Jan 95*

[FBIS Transcribed Text] Pyongyang, January 14 (KCNA)—The great leader Comrade Kim Chong-il sent thanks to the agitators of the Songgwon cooperative farm in Songwon County, Chagang Province, the Tonggang cooperative farm in Kangyong County, South Hwanghae Province, the Pokpyong cooperative farm in Tanchon City, South Hamgyong Province, the Yongjong cooperative farm and the Tongsan farm in Pyoksong County, South Hwanghae Province, and the Sambong branch farm of the Taehongdan County integrated farm, Yanggang Province, who had contributed to the implementation of the agriculture first policy of the party through their vigorous agitation activities.

At the meetings for conveying thanks the speakers stressed the need to dynamically carry on the three revolutions, ideological, technical and cultural, in the countryside so as to consolidate the most superior socialist rural economic system of the country, true to the behests of the great leader President Kim Il-song.

Thanks Communications, Coal Workers*SK1901052295 Pyongyang KCNA in English 0426
GMT 19 Jan 95*

[FBIS Transcribed Text] Pyongyang, January 19 (KCNA)—The great leader Comrade Kim Chong-il sent thanks to the March 4 factory, the management office No. 825, the Korean Central Telecommunications Office, the Pyongyang Telephone Exchange and other units and officials of the project and builders for their achievements in the project for modernizing the communication networks between Pyongyang and Hamhung.

The workers and technicians of the units which received thanks completed this project qualitatively in a short span of time by building up telecommunications equipment and material production bases on the basis of the latest achievements of science and technology and actively introducing different technical innovations and rational proposals.

Comrade Kim Chong-il also extended thanks to different units and working people who set examples in assisting the People's Army and coal mines.

Kim Chong-il Sends Trees for Planting at Monument*SK1901052695 Pyongyang KCNA in English 0430
GMT 19 Jan 95*

[FBIS Transcribed Text] Pyongyang, January 19 (KCNA)—The great leader Comrade Kim Chong-il sent more than 2,000 trees of over 80 species to create a forest around the monument to the party foundation in Pyongyang which will be completed on the occasion of the 50th anniversary of the foundation of the Workers' Party of Korea.

Among them are more than 30 significant trees the ecological characteristics and economic value of which were explained by President Kim Il-song. Most of them are 15 to 25 years old. They are 4 or 5 metres high and some of them are more than 10 metres high at maximum.

Comrade Kim Chong-il also sent turfs of more than 4,000 square metres to be laid around the monument and took care that over 1,000 tons of humus soil are used in planting the trees and laying the turfs so that they may grow well.

This solicitude of Comrade Kim Chong-il shows his noble intention to glorify with green forests the undying revolutionary feats and great contributions of President Kim Il-song in founding the Workers' Party of Korea and strengthening and developing it.

A forest of nearly 200,000 square metres will be created around the monument to the party foundation which is being built in Munsu Street, Pyongyang.

Talk Urges People To Become Leader's Fighters*SK1801142595 Pyongyang Korean Central
Broadcasting Network in Korean 0915 GMT 16 Jan 95*

[Unattributed talk: "It Is Rock-Firm Faith and Will of Our Party and People To Vigorously Work To Be Worthy of Being Fighters of the Great Leader"]

[FBIS Translated Text] The year 1995 is a hopeful year which will embroider the annals of chuche revolutionary cause with brilliant feats and victory.

Our party members and workers, who have embarked on the first advance march in this historic year, raised a louder voice that we should vigorously rise in the struggle to make our fatherland stronger and wealthier, worthy of fighters of the great leader [suryongnim] by upholding our party's lofty intention.

That we vigorously rise in the struggle with one mind and one intent to make our fatherland stronger and wealthier, worthy of fighters of the great leader—the generation of the great leader—is the rock-firm decision and will of the great leader [yongdoja] Comrade Kim Chong-il.

Comrade Kim Chong-il, the great leader [yongdoja] of our party and people, has pointed out: We should hold the great leader [suryongnim] in high esteem forever generation after generation, for hundreds of years and even thousands of years. We should carry out all works in the manner of the great leader [suryong].

The respected Comrade Kim Chong-il is the great leader [yongdoja] who dedicates everything to inheritance and perfection of our revolutionary cause pioneered by the great leader and to prosperity and development of socialist fatherland built by the leader.

Because he cherishes the sense of duty at the loftiest height for the leader [suryong], who opened the origin of revolution, the great leader [yongdoja] Comrade Kim Chong-il today is leading functionaries and workers so that every one of them fulfills his duty as fighters of the great leader [suryongnim].

The intention to vigorously work in order to make our fatherland stronger and wealthier, worthy of fighters of the great leader, was the pledge of loyalty which our people firmly made deep in our hearts by seeing off 1994 amid sorrowful tears.

Last year we lost the great leader, father of the people who embraced in his bosom and took care of our revolutionary fighters and all fellow countrymen and who led our revolution only along the single road of victory.

The pledge that our people made when we lost the great leader was to cherish the sense of obligation as fighters of the leader [suryong] forever, no matter how much time may pass, and to unswervingly glorify the leader's revolutionary achievements.

Even though the leader passed away, our people will never forget the great love and trust bestowed on us by the leader [suryongnim] nor will we deviate from the revolutionary path pioneered by the leader.

Our people's decision and pledge to glorify our fatherland with hundreds and thousands of times solid unity around the great leader [yongdoja] Comrade Kim Chong-il according to the leader's [suryong] lifetime teaching have been further consolidated on the path of the new year's advance march.

"Let us all vigorously work with one mind and one intention to make our fatherland stronger and wealthier, worthy of fighters of the great leader!" This is the slogan of faith that our people should uphold forever. This slogan of loyalty and filial piety contains lofty and profound intent which our people should assume as a motto in life and struggle. Herein lies the profound significance as to what we mean by working to become worthy of being fighters of the great leader and as to how we should fight to make our fatherland stronger and wealthier.

Working to become worthy fighters of the great leader means becoming genuine loyalists and faithful and devoted sons who carry out everything in the manner of the fatherly leader by holding him in high esteem as the everlasting sun of chuche.

The fatherly leader is the great sun for our people's life which is with us forever and is the symbol of all our victories. Even today, the fatherly leader is calling our people to the historic march to defend and protect socialism, and the leader's name and benevolent image are inspiring our people's boundless might and courage.

The calling, fighters of the great leader [suryongnim], contains the sense of absolute adoration [choltaejok sungbaesim] to uphold the leader [suryongnim] as the permanent teacher and as father, no matter how many times the world may change, and reflects the moral outlook as genuine revolutionaries who will fulfill the obligation we failed to fulfill for the leader [suryongnim].

The glorious title of being fighters of the leader is much more precious to our people than millions of dollars in cash and property and is more valuable than any other title.

We should unswervingly glorify this lofty title by deeply cherishing it in our hearts. Herein lies the genuine road of our life and the path of victory of socialism.

Tenaciously fighting to make our fatherland stronger and wealthier means that we fight by devoting our lives to glorify the chuche socialist fatherland, which the great leader [suryongnim] founded and led, to be a paradise of the people where the independent and creative life of the popular masses has fully bloomed.

It is our revolutionary fighters' deserved duty and reason to permanently glorify our fatherland—the crystal of the

great leader's ideas and leadership—as brilliant chuche socialist fatherland, together with the name of the leader [suryongnim].

We should fight for prosperity and the development of our fatherland by cherishing ardent patriotism. Herein lies a genuine road of living and fighting forever in accordance with the fatherly leader's intention.

Today we are faced with a grave task to effect a decisive turn in carrying out the chuche revolutionary cause in firm unity around the great leader [yongdoja] Comrade Kim Chong-il.

By upholding the slogan overflowing with the sense of loyalty and filial piety, we should vigorously march forward to glorify the 50th anniversary of the WPK founding as the great festival of victors.

Tenaciously fighting for prosperity and development of our fatherland worthy of fighters of the great leader is the sacred work to glorify political life bestowed on us by the leader [suryongnim] generation after generation.

Our people are the revolutionary fighters who were fostered under the care of the great leader over generations and are the leader's genuine sons and daughters who came to cherish lofty and precious political life amid a great family which upholds the leader as the father.

Although the fatherly leader left us, the political life bestowed on us by the leader [suryongnim] is deeply cherished in our hearts. If we vigorously work to achieve the leader's ideas and cause, just as we did during the great leader's lifetime, it means that we live amid everlasting blood ties with the leader.

By doing so, the political life of our revolutionary fighters will be endlessly glorified on the path of loyalty, and the whole society will be further strengthened and developed into one social and political organism which will never be separated from the leader [suryongnim] forever.

Vigorously working to make our fatherland stronger and wealthier, worthy of fighters of the great leader, is an honorable and worthwhile struggle to effect a new revolutionary upsurge in the general march of socialism of our own style.

During his lifetime, the fatherly leader unfolded a brilliant blueprint to extensively display the superiority of socialism of our own style in all fields and to achieve everlasting prosperity over the generations. This gigantic blueprint is being brilliantly implemented by the great leader [yongdoja] Comrade Kim Chong-il.

The great leader Comrade Kim Chong-il intends to prosper and develop our fatherland into an indomitable stronghold of socialism displaying its dignity to the entire world and into a chuche fatherland where the chuche idea has been comprehensively embodied in all

domains—ideological, political, economic, and cultural—according to the fatherly leader's will. His idea and plans are indeed gigantic and brilliant.

We should fight by devoting our lives to the struggle to achieve his ideas and plans worthy of fighters of the great leader [suryongnim].

By upholding the lofty intention of the great leader [yongdoja] Comrade Kim Chong-il, all party members and workers should more vigorously work with one mind and one intention to make our fatherland stronger and wealthier, worthy of fighters and disciples [cheja] of the great leader [suryongnim].

Rallies Held To Accelerate New Year's 'March'

*SK1601085895 Pyongyang Korean Central
Broadcasting Network in Korean 0600 GMT 12 Jan 95*

[FBIS Translated Text] Agricultural workers of Migok Cooperative Farm in Sariwon and Hwayang Cooperative Farm in Chongdan County, and employees of Nampo Smeltery Complex and Kapsan Forestry Station, held rallies at their respective spots to vigorously accelerate the new year's general march while single-heartedly uniting around the great leader [widaehan yongdoja] Comrade Kim Chong-il. Functionaries concerned, responsible functionaries of respective units, agricultural workers, and employees attended the rallies. Reports and discussions were made and resolutions were adopted at the rallies.

Young Vanguard Vow To Lead General Advance

*SK1601045795 Pyongyang KCNA in English 0436
GMT 16 Jan 95*

[FBIS Transcribed Text] Pyongyang, January 16 (KCNA)—The young vanguards from all parts of the country held a meeting at the Komdok mining complex on January 15 to make a loyal oath to take the lead in the general advance in the new year, united around the great leader Comrade Kim Chong-il in one mind.

Choe Yong-hae, chairman of the Central Committee of the League of Socialist Working Youth of Korea, made a report, which was followed by speeches of young workers.

They said that Comrade Kim Chong-il assigned to the young people an honorable task to perform new heroic feats in the revolution and construction this year, too, deeply trusting them. They called upon all the young people to be the pace-setter in the fulfillment of the revolutionary economic strategy of the party, remaining faithful to the leadership of Comrade Kim Chong-il.

It was stressed at the meeting that all the young people should splendidly adorn this year which marks the 50th anniversaries of the foundation of the Workers' Party of Korea and the country's liberation by effecting new

miracles and innovations in production and construction, surmounting obstacles and difficulties in the revolutionary spirit of self-reliance and hard struggle.

Plant Increases in Power Generation Reported

*SK1601093595 Pyongyang Korean Central
Broadcasting Network in Korean 2200 GMT 12 Jan 95*

[FBIS Translated Text] Upholding the party's revolutionary economic policy, electricity producers of the power plant where Comrade Yi Pong-tok works at, are scoring gains in power generation in the beginning of the new year by fully operating the power generation equipment. As the fighters of the great leader and the dear comrade leader, members of the (?remote control) work unit, who are working with ardent hearts to further make my country and my fatherland more prosperous, are ensuring that more water is supplied by managing the floodgates with responsibility. Adding fuel to the movement of popular technological innovation, members of the operational work unit are also ceaselessly increasing power generation by guaranteeing the full operation of the power generation equipment at full capacity.

As a result, the power plant where Comrade Yi Pong-tok works at is overfulfilling daily production targets in the new year.

Senior Officials View Part 21 of Feature Film

*SK1901052795 Pyongyang KCNA in English 0448
GMT 19 Jan 95*

[FBIS Transcribed Text] Pyongyang, January 19 (KCNA)—The Korean film studio recently released part 21 of the multi-part feature film "The Nation and Destiny", a monumental masterpiece of the times.

The film was appreciated by Premier Kang Song-san, Vice-Presidents Pak Song-chol and Kim Pyong-sik and other senior party and government officials on Wednesday.

Through the destiny of heroine Yim Un-chong, the film fully exposes the wild ambition of the Japanese imperialists to dominate Asia and the rest of the world and their brutal atrocities of cruelly murdering innocent people.

It reflects the indignation and grudge of the Korean and world people against the Japanese imperialist aggressors who took Korean women to South Seas islands and killed them in cold blood after violating their chastity.

And it impressively shows the happy life of Japanese women who glorify their life and dignity under the deep care of the Workers' Party of Korea.

Heroic Exploits of Korean People Described

*SK1901103395 Pyongyang KCNA in English 1018
GMT 19 Jan 95*

["People With Noble Love for Humanity"—KCNA headline]

[FBIS Transcribed Text] Pyongyang, January 19 (KCNA)—In Korea there are many people devoting everything to their comrades.

Among them there are people who saved their comrades at the cost of their own lives, and who were orphans and volunteer to become lifelong companions of disabled soldiers.

The great leader Comrade Kim Chong-il recently received a report that Choe Song-il, a smelter of the Sinuiju paper-making machine plant, rescued his comrades at the cost of his life in an accident during the repair of an oven, and highly praised his noble comradeship and self-sacrificing spirit.

Among these admirable people there were Yi Chun-sok, a worker of a fishery station on the east coast of Korea, and Kim Chang-hun, a soldier of the Korean People's Security Forces.

In August last year, they died in their twenties after saving four pupils drowning in the rough sea and their mistress who had jumped unto the sea to rescue them.

Some time ago, Yi Pok-chae, a public security man, covered a dangerous spot with his body in a running train and saved many passengers and public property.

Kang Chang-uk, secretary of the Tongdaewon district party committee in Pyongyang; Kim Song-man in Kangdong County, Pyongyang; Chi To-son, a worker of the power distribution station in Phanmun County, Kae-song; and many other people are bringing up orphans as they would their own children.

These traits fully demonstrated by the Korean people give a glimpse of Korean society where Comrade Kim Chong-il's noble idea of love for humanity has been brought into full play.

Comrade Kim Chong-il set the slogan "We serve the people" and made sure that all spheres of social life overflow with love for humanity and examples of noble virtues were actively followed by all other people.

The whole country now is a large harmonious family and [words indistinct] for people is in full bloom.

Many people venture their lives to save other people from danger and donate their bone and skin and even their cornea for those who are fatally ill. Such deeds are common among the Korean people.

Talk Stresses 'Wholehearted' Unity of Party Ranks

SK1901075595 Pyongyang Korean Central Broadcasting Network in Korean 1000 GMT 12 Jan 95

[Unattributed talk: "Wholehearted Unity Is Our Revolution's Ever-Victorious Banner"]

[FBIS Translated Text] Our people are now vigorously accelerating the march of the new year in wholehearted

unity around the great leader [widaehan yongdoja] Comrade Kim Chong-il. The new year of 1995 is a significant year which marks the 50th anniversary of the founding of the Workers Party of Korea [WPK] and the 50th anniversary of the fatherland liberation.

This year we must bring forth a new great upturn in achieving the complete victory of socialism, which is our people's historical long-cherished desire, comprehensively displaying the superiority of our-style socialism, and accelerating the country's reunification.

What is more important than anything else in adding luster to this year—which will be adorned as a significant year in the history of our fatherland—with greater exploits and victory is to further strengthen the wholehearted unity of the party and the revolutionary ranks.

The great leader Comrade Kim Chong-il has noted: Strengthening the wholehearted unity of the party and the revolutionary ranks is the central task which our party must always persistently keep up. Wholehearted unity is our party's eternal revolutionary philosophy and our revolution's ever-victorious banner.

Because our party regards unity as the most important requisite to the revolution and has always concentrated on strengthening the wholehearted unity of the party and the revolution, it has been ever-victorious in the revolution and construction. Our revolution's proud history shining with creation and exploits is the history pioneered with unity and victorious with the might of wholehearted unity.

Wholehearted unity becomes the ever-victorious banner of our revolution because, above all, it is the fundamental guarantee for strengthening the main force of the revolution and enhancing its role. As the great leader Comrade Kim Chong-il elucidated, the decisive factor which determines the nature of the revolution does not lie in an objective condition but in how we can strengthen the main force of the revolution and enhance its role.

Our revolution's experience of advancing under the leadership of the great leader and our party following the banner of the chuche idea confirms that if we strengthen the main force of the revolution and enhance its role, we can not only correctly utilize the objective given conditions but change the disadvantageous objective conditions to our advantage, change adversity into a favorable condition, and misfortune into fortune, ensuring victory for the revolution. Therefore, in order to strengthen the main force of the revolution and enhance its role—which is the decisive factor for the victory of the revolution—we must realize the wholehearted unity of the leader, the party, and the masses.

The popular masses are the main force of history, but they do not automatically become the independent main force of the revolution. Only when the popular masses

uphold the leader's ideology and leadership with wholehearted loyalty and filial dutifulness in firm unity around the party and the leader as a sociopolitical living organism, can they become a strong main force pushing ahead with the revolution toward victory.

Today, because our people uphold the dear Comrade Kim Chong-il as great leader and unite wholeheartedly around him, they form a strong main force of the revolution and are vigorously advancing the revolution and construction along the single road of victory. Truly, we cannot mention the strong main force of our revolution apart from wholehearted unity. Apart from the might of the main force, we cannot think of the victorious advance of our difficult and complicated revolution.

Wholehearted unity is synonymous with the main force of the revolution, and the might of the main force is synonymous with the victory of the revolution. This is one of the very reasons why wholehearted unity is the revolutionary philosophy, which our party must persistently keep up forever, and the great banner which propels our revolution along the ever-victorious road.

That wholehearted unity is the basis for the victory of our revolution is well proven by the fact that last year our party and people overcame the difficult trial, continuously advanced the revolution, and firmly adhered to the banner of *chuche* and the banner of socialism with wholehearted unity around the great leader [*widaehan yongdoja*].

Last year, our people unexpectedly bade the last farewell to Comrade Kim Il-song—the greatest revolutionary history has ever had, the peerless great man, the most brilliant commander, and the people's benevolent father—suffering the greatest pain of loss unprecedented in their 5,000-year national history. Nevertheless, our people converted the sorrow into hundred- and thousand-fold courage and launched themselves into the struggle to implement the great leader's teaching in his lifetime.

Bracing up their firm will that the great leader [*widaehan suryong*] is synonymous with the great Comrade Kim Chong-il and Comrade Kim Chong-il is synonymous with the fatherly leader, our people are determined to live and struggle as true loyalists and dutiful children who devote the loyalty and filial dutifulness they had to the leader [*suryongnim*], which they failed to fulfill, to the great leader Comrade Kim Chong-il. This was the pledge all our people cherished deep in their hearts.

Our working class and all the working people united around the great leader Comrade Kim Chong-il more firmly and attained great success in the struggle to implement the party's revolutionary economic strategy so that they could further display the superiority of our-style socialism.

Faithfully carrying out their duty of defending the country, the officers and men of our heroic People's

Army created miracles and innovations last year at the sites of major socialist construction projects, including the second-stage Chongnyu Bridge construction, displaying the one-a-match-for-a hundred spirit of soldiers, thus demonstrating to the entire world the militant might of the People's Army in wholehearted unity around the respected and beloved supreme commander General Kim Chong-il.

Last year the life of our revolution [*uri hyongmyongui saengmyong*] remained complicated and tense. Socialism was frustrated in many countries of the world, and the spearhead of attack of the imperialists and all types of reactionaries to isolate and obliterate socialism was concentrated on our Republic. This constituted a grave obstacle to carrying out the cause of the revolution of our party and our people and to the nation's dignity and security.

Even in such a difficult time as this, our people and the People's Army strongly demonstrated the national dignity and defended the gains of socialism like a fortress under the leadership of the comrade supreme commander with the firm faith that as long as they have the great leader and peerless brilliant commander General Kim Chong-il, they have nothing to fear and will be victorious without fail.

In particular, in the fierce confrontation with the imperialists, they won great victory and greatly enhanced our Republic's external dignity. This was the clear demonstration of the invincible might of our wholehearted unity proving that the might of the people and the Army, which are firmly united around their leader, cannot be curved by any weapon or threat.

Truly, last year, the shining victory and proud success our people attained in the struggle to carry out the *chuche* revolutionary cause and to defend and adhere to socialism upholding the great leader's teachings given in his lifetime and under the wise leadership of the party were the noble fruition brought forth by the wholehearted unity of the entire party membership, all the people, and the entire Army around the great leader Comrade Kim Chong-il. This eloquently shows that our wholehearted unity is the ever-victorious banner that enables us to overcome any difficulty and trial our party and revolution may encounter and to victoriously advance the *chuche* cause, the cause of socialism.

The wholehearted unity—our party's revolutionary philosophy and our revolution's banner of victory—becomes the most firm unity unprecedented in the history of the communist movement because we uphold the great leader Comrade Kim Chong-il in the center of the unity.

Our wholehearted unity, which the great leader provided for us, has become strong everlasting unity which becomes more firm generation after generation because we uphold the dear Comrade Kim Chong-il, the peerless great man, as the center of unity and at the head of our

party, our people, and our revolutionary Armed Forces. It is the great glory and pride for our party and people to have this great wholehearted unity.

As long as we have the outstanding and tested leadership of the great leader Comrade Kim Chong-il and the wholehearted unity he turns into bloom, we are assured of victory in our rewarding battle of this year to greet the 50th anniversary of the party founding as the great festival of victors and in the struggle for the ultimate completion of the chuche revolutionary cause.

We should create greater exploits and miracles in this new year with the might of wholehearted unity upholding the great leader Comrade Kim Chong-il and firmly uniting around him with one mind and will, so that we may actively contribute to making our country and fatherland wealthier and stronger.

Rural Communities Prepare for New Year Farming

SK1901044895 Pyongyang KCNA in English 0404 GMT 19 Jan 95

[FBIS Transcribed Text] Pyongyang, January 18 (KCNA)—Rural communities of Korea are making full preparations for farming in the new year.

Co-op farms in all parts of the country are pushing ahead with production of manure, reserve of water and repair and readjustment of tractors and farm machines to reap a rich harvest again this year in which fall the 50th anniversaries of the foundation of the Workers' Party of Korea (October 10, 1945) and the country's liberation (August 15, 1945).

According to data available at the State Agricultural Commission, the nation-wide production of manure has reached the line of 90 percent and most of them have been carried to paddy and dry fields as of January 15.

South Pyongan Province and Kaesong municipality have already finished the production of manure.

Rural communities throughout the country secured water necessary for this year's farming in the main.

Tractors, rice-transplanting machines, rice-seedling plucking machines and other farm machines are being repaired and readjusted at the final stage.

Water ways and pumping setups are being checked and repaired. Provincial, city and county factory and office workers are actively helping the countryside.

Factory and office workers in Pyongsong City, Sunchon City, Mundok County and other cities and counties of South Pyongan Province sent some 400,000 tons of manure and many farm machines and farming materials to the countryside in a recent week.

The central organs in Pyongyang carried more than 2,000 tons of manure to the Ihyon co-op farm on the outskirts of the city on January 6 (Friday, day of physical work).

Pyongyang Medical Society Publishes Papers

SK1401150595 Pyongyang KCNA in English 1501 GMT 14 Jan 95

[FBIS Transcribed Text] Pyongyang, January 14 (KCNA)—Korean medical workers have registered many successes in their efforts for scientific systematization of their experiences in the sanitary and anti-epidemic work and medical treatment.

According to data available at the Medical Society in Pyongyang, 1,080 medical scientific papers were presented by preventive and curative medical establishments in the city last year. Many of them are papers on Koryo medicine and Koryo remedy.

A wide variety of new Koryo drugs have been produced and various diagnosis and treatment apparatuses of Koryo medicine developed to put prophylactic and therapy on a more effective basis.

The papers have been generalized in the sanitary and anti-epidemic work and clinical practice, yielding results.

Many valuable papers have been presented also by preventive and curative medical establishments in North [word indistinct], South Pyongan and other provinces.

South Korea

U.S. Plans To Lift DPRK Economic Sanctions

SK1901010195 Seoul YONHAP in English 0046 GMT 19 Jan 95

[FBIS Transcribed Text] Washington, Jan. 18 (YONHAP)—The U.S. Government will announce a partial lifting of economic sanctions against North Korea Friday or Saturday [21 January].

The White House, which is conducting a final review of American economic restrictions against Pyongyang whose lifting has been proposed by the State Department and other agencies, will make an announcement Friday or Saturday, diplomatic sources here said Wednesday.

Saturday is the deadline for the initial removal of some U.S. economic sanctions against the North under the nuclear deal the two nations struck in Geneva last October.

"Restrictions to be eased this time are those that can be done through a presidential administrative order, and are symbolic and partial in nature," the sources said.

The forthcoming measures will include permission for direct telephone communications with North Korea and for financial transactions through American banks, as well as a releasing of North Korean assets in the United States that were frozen after the Korean war erupted in 1950, according to the sources.

The North Korean assets to be released are reportedly worth about 14 million U.S. dollars, the majority being payments due the stalinist state through U.S. banks.

In the meantime, State Department Spokeswoman Christine Shelly disclosed that unloading of the first 50,000-ton batch of heavy oil promised to the North as alternative energy started Tuesday.

Ministry Representatives Discuss N-S Issues

SK1901064495 Seoul YONHAP in English 0609 GMT 19 Jan 95

[FBIS Transcribed Text] Seoul, Jan. 19 (YONHAP)—South Korea expressed hope Thursday that North Korea will show sincerity toward the resumption of inter-Korean dialogue.

Vice Unification Minister Song Yong-tae said, "We expect that North Korea will display sincerity toward creating an atmosphere conducive to inter-Korean dialogue so that the light-water reactor project can be promoted smoothly."

Song made the remark following a meeting of the unification-related ministers' conference, the first of its kind since the cabinet reshuffle in late December, that took up the light-water reactor project.

The government's expression of hope came after noting "the fact that North Korea is continuously engaged in slandering the South despite the U.S.-North Korea nuclear agreement's implementation."

The meeting, presided over by Deputy Premier and Unification Minister Kim Tok, resolved to inaugurate Monday the "light-water reactor support planning group" with a view to backing up the projected construction of light-water reactors in North Korea.

The planning group, to be placed under the unification-related ministers' conference, will comprise over 40 officials from pertinent administrative and other agencies including the Finance and Economy Ministry and Korea Electric Power Corp.

The meeting, attended by the heads of 17 ministries including foreign affairs and defense, reaffirmed that the light-water project should be promoted in such a way as to help improve inter-Korean relations and that South Korea should play the central role in the project.

The gathering also discussed the outcome of experts' talks among South Korea, the United States and Japan on the Korea Energy Development Organization (KEDO) that took place in Washington for five days last week.

With regard to inter-Korean economic cooperation, the ministers agreed to coordinate South Korean business links with Pyongyang so they can be promoted orderly under the autonomous responsibility of enterprises involved.

The government plans to promote business links with the North prudently on a gradual basis in line with progress made in South-North dialogue and inter-Korean relations.

Regarding the observation that the recent advance by major business firms into the North may be overheated, causing unfavorable side effects, the ministers decided to study the establishment of a private autonomous coordination body.

The meeting also adopted plans calling for the dispatch of 20 unification cadres to four countries including Germany and Russia beginning in March for research purposes. The scheme is aimed at formulating specifics of the government's "national community unification formula."

Official 'Hopes' for Kuwaiti Aid With North Oil

SK1901130095 Seoul HANGUK ILBO in Korean 19 Jan 95 p 2

[YONHAP report from Kuwait]

[FBIS Translated Text] According to Vice Foreign Minister Yi Si-yong on 17 January, the ROK hopes Kuwait will aid in supplying the North with heavy oil, which will be supplied in accordance with the North-U.S. agreement reached regarding the nuclear issue.

Winding up his three-day visit to Kuwait, Vice Minister Yi stated: "Because North Korea is pledging to freeze its nuclear development program, we have discussed with the Kuwaiti side the necessity to supply North Korea with alternative energy sources."

Hanwha Businessmen Enter DPRK for Meeting

SK1701073895 Seoul YONHAP in English 0545 GMT 17 Jan 95

[FBIS Transcribed Text] Seoul, Jan. 17 (YONHAP)—A delegation from the Hanwha Business Group entered North Korea Tuesday to discuss inter-Korean economic cooperation for five days.

The six-member delegation, headed by the managing director of Hanwha Telecommunication Co., Ltd., will meet with North Korean officials to discuss supplying telecommunications facilities for the Najin-Sonbong free economic and trade zone.

Hanwha, the fourth company to visit North Korea, said it also plans to examine investment conditions in the fields of processing-on-commission trade and tourism.

Daewoo Group Chairman Denies Visit to DPRK

SK1601031295 Seoul YONHAP in English 0243 GMT 16 Jan 95

[FBIS Transcribed Text] Seoul, Jan. 16 (YONHAP)—Daewoo Group Chairman Kim U-chung said Monday that "I've not visited North Korea."

Last Wednesday, Kim abruptly cancelled his schedule in Fukuoka, Japan, and instead left for Tokyo accompanied by a secretary, causing speculation that Kim would join Deputy Chairman Yi Kyong-hun who flew to North Korea Thursday.

But Kim returned to Seoul from London aboard Korean Air Flight KE-908 Sunday afternoon.

A Daewoo official said Kim returned home because he had finished his car-related business in London and Frankfurt.

He flatly dismissed local press reports on Kim's trip to North Korea over the weekend as groundless.

Dutch Attempt To Establish Joint Bank in DPRK

*SK1701020895 Seoul YONHAP in English 0124 GMT
17 Jan 95*

[FBIS Transcribed Text] Seoul, Jan. 17 (YONHAP)—The Internationale Nederlanden Group (ING) Bank N.V. is trying to advance into North Korea in the form of a joint bank with a North Korean insurance company, a bank official said Tuesday [17 January].

The official said that when Jan Bosma, general manager of the bank's Seoul branch, visited Pyongyang last year, he was approached by a senior North Korean official about the possibility of establishing a joint bank.

Bosma, scheduled to sign a contract around Jan. 25 on setting up the joint bank, left for Beijing on Jan. 13 to revise the draft contact with North Korea, the official said.

ING Bank said that some large South Korean firms have voiced interest in participating in the joint bank.

North Offers Port Opening to PRC-Bound Tourists

*SK1901115095 Seoul YONHAP in English 1140 GMT
19 Jan 95*

[FBIS Transcribed Text] Beijing, Jan. 19 (YONHAP)—North Korea has recently offered to open the Chongjin port along the northeastern coast to South Korean tourists headed for northeastern China, it was learned here on Thursday.

The head, a Mr. Choe, of the Beijing branch of a South Korean trading co. said a North Korean official suggested that if South Korea agrees, Pyongyang would provide conveniences so that South Korean tourists could visit the Yanbian area and the Chinese sector of Mt. Paektu by way of Chongjin.

"A senior official of the North Korean authorities whom I met in the recent past said Pyongyang is prepared to open the Chongjin harbor so that South Korean tourists could reach northeastern China by way of Chongjin," Choe said.

If Chongjin were actually opened, it would be a big shortcut linking South Korea to northeastern China. Presently South Koreans make a detour via Beijing in their trips of the Yanbian area and Chinese part of Mt. Paektu.

Choe's trade office maintains close contacts with leading North Korean trading houses like Kwangmyongsong General Trade Co. and Samcholli Trade Co.

Noting that a firm run by an ethnic Korean in China made a similar offer recently, Choe said the North Korean overture is taken to mean that if ferry service is launched in a joint venture between South Korean and Chinese firms, North Korea would allow its vessels into the Chongjin port.

Meanwhile, a Russian source who is discussing with North Korea on possible participation in the development of Mt. Kumgang said that recently a North Korean official suggested to him that ferry service be launched to carry tourists to Mt. Kumgang and other tourist attractions in North Korea.

North Korea doesn't care even if a South Korean industry takes part in such joint-venture ferry service, the Russian source added.

Visit of U.S. General Shalikashvili Reported

*SK1901110195 Seoul YONHAP in English 1040 GMT
19 Jan 95*

[FBIS Transcribed Text] Seoul, Jan. 19 (YONHAP)—President Kim Yong-sam met Gen. John M. Shalikashvili, visiting chairman of the U.S. Joint Chiefs of Staff, at Chongwadae [presidential offices] Thursday afternoon and exchanged opinions with him on matters of common interest such as Northeast Asia and Korean situations and the joint Korea-U.S. security system.

Kim said to the General that the maintenance of a close cooperative system between South Korea and the United States is important to the resolution of the North Korean nuclear question.

"Any attempt of North Korea to drive a wedge into Seoul-Washington relations can never be tolerated or successful," Kim was quoted as saying by his spokesman, Yun Yo-chun.

The American general said he would visit South Korea regularly in the future to help maintain strong joint Korea-U.S. security preparedness.

He also said the recent U.S. efforts to obtain the release of the crew of a U.S. Army helicopter that crash-landed in North Korea would not have any adverse effect on the existing truce system.

The Korean armistice system will be kept intact in any future talks with North Korea, Gen. Shalikashvili said.

Meeting With Counterpart, Minister*SK1901042995 Seoul YONHAP in English 0417 GMT
19 Jan 95*

[FBIS Transcribed Text] Seoul, Jan. 19 (YONHAP)—Gen. John Shalikashvili, chairman of the U.S. Joint Chiefs of Staff, paid courtesy calls Thursday on his South Korean counterpart Kim Tong-chin and Defense Minister Yi Yang-ho to discuss security on the Korean peninsula.

The military leaders shared the view that the peninsula remains unstable and security uncertain despite some progress toward regional stability, highlighted by the nuclear agreement that Pyongyang and Washington hammered out last year.

As a result, they decided to maintain their firm combined defense posture.

Concerned about Pyongyang's claims over the U.S. helicopter which made an emergency landing in North Korean territory late last year, they reaffirmed that all matters related to the truce situation should be handled by the Military Armistice Commission (MAC).

A Defense Ministry source said the South Korean and U.S. military leaders agreed to resume Team Spirit, their annual joint military exercise, this year if North Korea does not faithfully implement the nuclear agreement.

They also discussed the new American strategy toward the Asia-Pacific region under which Washington, scrapping plans for phased withdrawal of U.S. Forces in Korea, will maintain more than 100,000 troops in Northeast Asia.

Need for Alliance Reaffirmed*SK1901080595 Seoul YONHAP in English 0758 GMT
19 Jan 95*

[FBIS Transcribed Text] Seoul, Jan. 19 (YONHAP)—South Korean and U.S. military leaders reaffirmed Thursday that all matters related to the truce situation on the Korean peninsula must be handled by the Military Armistice Commission (MAC).

Defense Minister Yi Yang-ho and the Chairman of the Joint Chiefs of Staff (JCS), Gen. Kim Tong-chin, met with Gen. John Shalikashvili, chairman of the American JCS, to discuss security on the peninsula and agree that the two nations need to maintain a strong combined defense system here.

North Korea has demanded that the military Armistice Agreement be replaced by a peace treaty.

Releasing on Dec. 30 a U.S. military officer whose helicopter strayed into North Korean territory and was subsequently downed on Dec. 17, Pyongyang said Washington agreed to maintain military contact with it—a process that would not include the MAC.

Gen. Shalikashvili issued a statement saying, "Between the North-South process, the nuclear issue and the death of Kim Il-song, a situation that was for four decades an intractable stalemate has in recent years become far more fluid. But it has also become more uncertain and ambiguous."

He added that all this underscores the need for the alliance to remain strong and ready, emphasizing that it is in fact stronger than ever before.

"For it is only against this backdrop that diplomacy can succeed. And, although some diplomatic progress has been made in the past year, there are still nearly 1 million North Korean soldiers along the Demilitarized Zone (DMZ) and as last month showed, the situation remains tense and dangerous for the men and women in uniform who are defending this nation."

Japan Declines Offer To Provide Emergency Relief*SK1901035295 Seoul YONHAP in English 0208 GMT
19 Jan 95*

[FBIS Transcribed Text] Seoul, Jan. 19 (YONHAP)—The Japanese Government indirectly refused to accept medical and other relief supplies and rescue teams offered by the South Korean Government, saying it will work alone to rehabilitate areas devastated by Tuesday's deadly earthquake, a Foreign Ministry spokesman said Thursday.

But in an emergency cabinet meeting late Wednesday, Japan decided to accept earthquake experts from the United States, said the spokesman, who added that Tokyo has already informed Seoul of its decision.

Japan also said it would ask for assistance later should the need arise, although it would not accept any form of government-level relief from abroad, he noted.

The spokesman, briefing reporters on the Seoul government's relief activities and efforts to determine the number of Korean victims in Kobe and its vicinity, said a seven-member team headed by Consul-General Chong Chung-kom of the South Korean Embassy in Tokyo arrived in Kobe, the western port hit hardest by the powerful quake, late Wednesday by train from Tokyo to Osaka and by bicycle to Kobe from Osaka.

Quoting a fax message sent to the Foreign Ministry by South Korea's Kobe Consulate-General Chief Pae U-kon, the spokesman said the embassy team and the Kobe Consulate-General on Thursday established eight relief centers in Kobe city in concert with the Korean Residents' Association in Japan to distribute relief supplies to Korean residents in the region.

The relief activities are focused on Kobe city's Nagata district, home to many Korean quake victims, according to the spokesman.

About 30 members of the Young Men's Association of Mindan, the Organization of Korean Residents in Japan, were dispatched to various places in Hyogo prefecture adjacent to Kobe city to ascertain the exact toll of Koreans and quake-related damage.

He said the ministry could determine the number of Korean casualties by Friday after receiving an official list of those killed in the quake.

Staff at the embassy in Tokyo will meet with Japanese National Police officers Thursday to obtain the list, the spokesman said.

He said the ministry has determined that seven Koreans were dead as of early Thursday morning, dismissing unconfirmed press reports on a larger Korean death toll.

Samsung, Toshiba Cooperate on Semiconductors

SK1701081995 Seoul YONHAP in English 0638 GMT 17 Jan 95

[FBIS Transcribed Text] Seoul, Jan. 17 (YONHAP)—Samsung Electronics Co. has formed a strategic alliance with Japan's Toshiba, which boasts products and technologies in the field of non- memory semiconductors, to jointly develop the core work process of semiconductors for home electronic appliances and related items, a Samsung official announced Tuesday.

The Samsung-Toshiba collaboration is their third following joint development deals on flash memory in 1992 and liquid crystal display (LCD) drive integrated circuit (IC) in 1993.

Under the agreement, Samsung will provide Toshiba with memory- semiconductor products and technologies, while the Japanese company is to offer a bipolar work process that is vital in producing non- memory products and a related one-chip IC technique for high- definition television (HDTV), the official said.

The bipolar process applies to semiconductor manufacture of next- generation home electronic appliances and Samsung is expected to commit itself to developing and exporting home-appliance semiconductors through this process, he explained.

The two companies plan to further enhance their cooperative ties by exchanging research and production personnel afterwards.

Seoul, Tokyo Plan Youth, Cultural Exchanges

SK1701082195 Seoul YONHAP in English 0712 GMT 17 Jan 95

[FBIS Transcribed Text] Seoul, Jan. 17 (YONHAP)—South Korea and Japan have agreed to promote the establishment of scholarship and culture foundations facilitating youth exchanges to cement future-oriented bilateral relations.

The accord was reached Sunday in Tokyo between First State Minister for Political Affairs Kim Yun-hwan, acting in his capacity as chairman of the (South) Korean-Japanese Parliamentarians' Union, and his Japanese counterpart Noboru Takeshita.

"Plans are being promoted to establish scholarship and culture foundations for the purpose of expanding youth exchanges between the two countries to build future-oriented bilateral relations," Minister Kim, who visited Tokyo Sunday, said Tuesday.

The project is part of events commemorating the 30th anniversary of diplomatic normalization between the two neighbors.

Operation of the proposed foundations and fund-raising possibilities will be addressed by working-level officials, according to Kim.

Meanwhile, an official of the Korean-Japanese Parliamentarians' Union disclosed that plans are under study to issue a postage stamp marking the 30th anniversary of Seoul-Tokyo rapprochement.

Group Scheduled To Establish Firm With PRC

SK1901042795 Seoul THE KOREA HERALD in English 19 Jan 95 p 8

[FBIS Transcribed Text] A Korean consortium to develop a commuter plane with China got off to a start when it held an inaugural meeting with the participation of Samsung Aerospace Industries, Daewoo Heavy Industries, Korean Air and other members yesterday.

The 14-member consortium, which is represented by Samsung, is scheduled to establish a joint-venture company with its Chinese counterpart in June.

A third partner or the partners will join the joint venture. Among the candidates are Boeing of the United States and European aerospace companies having equity stakes in Airbus.

Soon after it is inaugurated, the joint venture will start to draw the basic design for a 100-seater, turbo-fan jetliner, which is projected to undergo test flights in 1998, said an official from Samsung Aerospace.

Participants in the Korean consortium expect the joint venture to emerge as a third-largest player in the world market in the 2000s, which is now dominated by the United States and Europe.

"We expect to sell 350 midsize planes by 2010," said a Samsung official. "We estimate their world demand to reach 2,700 during the 2000-2010 period."

The estimated world demand includes 40 in Korea, 250 in China and another 490 in other Asian countries and Australia.

In addition to representing the Korean consortium as its lead company, the official said, Samsung will draw up the consortium's business plan.

But important decisions will be made by the consortium's deliberation committee, whose members are Samsung, Daewoo, Korean Air, the Ministry of Trade, Industry and Energy, the Korea Aerospace Research Industry and the Korea Aerospace Industries Association, he said.

The Ministry of Science and Technology and other government agencies, as well as the Ministry of Trade, Industry and Energy, are supporting the commuter development program, while the consortium is opening its door to other Korean corporations.

The consortium has selected 21 companies, including LG Precision Co. and Sunkyong Industries, as potential participants in the commuter development project.

For the development of a twin-engine commuter plane with a flight range of 2,200 km, Samsung said, the consortium will exploit much of the facilities used to produce fighter planes under license from the United States and the manpower trained in fighter plane production programs.

At their inaugural meeting, members of the consortium agreed that the Korean aerospace industry, which is at the infant stage with technology gained from repairs and license production, needs to move on to designing and utilizing other advanced technology.

Kim Chol-su Leaves on WTO Campaign Tour

SK1701092895 Seoul YONHAP in English 0721 GMT 17 Jan 95

[FBIS Transcribed Text] Seoul, Jan. 17 (YONHAP)—International Trade Ambassador Kim Chol-su left for Latin American countries Tuesday to campaign for their support in his bid to become the first director-general of the World Trade Organization (WTO).

While touring Brazil and other Central and South American nations until Feb. 2, Kim will make the most of Mexico's financial crisis in seeking support as the crisis is said to have lowered the standing of former Mexican President Carlos Salinas, one of Kim's two main rivals, in Latin America.

The government task group for Kim's election will formulate a new campaign strategy as soon as he returns from his Latin American tour.

The WTO's regional representative countries reportedly decided to hold the first director-general election by Feb. 15 at a recent meeting.

Mar Application for Entry Into OECD Planned

SK1901040295 Seoul YONHAP in English 0311 GMT 19 Jan 95

[By Kim Myong-chol]

[FBIS Transcribed Text] Seoul, Jan. 19 (YONHAP)—Although it plans to join the Organization for Economic Cooperation and Development (OECD) in 1996, the South Korean Government is apparently in no hurry to meet the group's market opening or liberalization requirements.

In fact, Seoul plans to peg net inflows of foreign capital at 10 billion U.S. dollars for the coming year, as an overflow due to a full capital market opening is feared to plunge the economy into chaos or crisis.

According to a recent report by the Ministry of Finance and Economy (MFE), the country's market liberalization level is lower not only than OECD member countries' but also that of Mexico, which became a member of the Paris-based club of advanced economies last year.

Consequently, the government plans to elevate this level to join the OECD by 1996, but not up to the level of OECD member countries except Mexico. In relation to the Latin American country, the government will further liberalize visible and invisible trade to match the Mexican level, but will take a cautious approach to further opening the capital market.

An official of the MFE said the OECD liberalization requirements are not compulsory, adding, "we may meet them to the extent that our economic conditions afford. The OECD is more interested in the liberalization schedule we make after becoming a member than in the liberalization level at the time of our admission as a member."

The government recently conducted an intensive study of Mexico's financial crisis, concluding tentatively that the Mexican government's foreign exchange rate policy is to blame. But some government economists said the Mexican government's rush toward liberalization before joining the OECD is also responsible.

MFE officials said that in Mexico the rapid flows of hot money into and out of the country posed a great problem for the financial market. "We haven't seen such a phenomenon, but we must be prepared for it because the foreign exchange market liberalization program will be implemented this year," one warned.

In this connection, the government plans to have the balance of payments on the current account record a deficit of 4 to 7 billion dollars and that on the capital account a surplus of 15 billion dollars at most this year, in an attempt to hold down net inflows of foreign funds to the 10-billion-dollar level.

This compares with private researchers' estimate of an overall balance-of-payments surplus of 10 billion to 15 billion dollars, with a capital-account surplus of 15 billion to 20 billion dollars.

The overall balance of payments turned from a deficit of 3.7 billion dollars in 1991 to a surplus of 4.9 billion dollars in 1992, and the surplus climbed to 6.5 billion

dollars in 1993 and then slid to 3 billion dollars, owing largely to unfavorable trade, last year.

The hiked ceiling on foreigners' stock investment and partial liberalization of foreign commercial loan introduction make it hard to come up with an accurate estimate of an overall balance-of-payments surplus for 1995, the MFE officials said.

A sharp increase in foreign capital inflows would lead to inflation of the money supply, in turn causing higher prices and weakening the value of the local currency, they warned.

As a result, the government wants to prevent such rapid inflows of foreign funds.

The government recently decided to put off plans to file an OECD entry application in January until the end of March.

Chong Tok-ku, head of the MFE's external economy bureau, said Finance and Economy Minister Hong Chaehyong and Foreign Minister Kong No-myong had agreed to postpone the filing of Seoul's OECD admission application because the government has yet to reach agreement on how to deal with OECD requirements concerning capital market liberalization and environmental problems.

The OECD's ministerial council will formally discuss South Korea's membership bid in June, and the filing of the admission application at the end of March will pose no problems for the ministerial council's June schedule. So, the government's goal of becoming an OECD member during the first half of next year looks to be on course, Chong said.

Taejon Prison Designated for Foreign Inmates

SK1901084495 Seoul YONHAP in English 0827 GMT 19 Jan 95

[FBIS Transcribed Text] Seoul, Jan. 19 (YONHAP)—The Justice Ministry has designated Taejon prison as the exclusive facility for male foreign prisoners.

The decision was made in the judgement that a more specialized correction institute, taking foreign cultures and languages into consideration, is needed as foreigners' crime rate keeps increasing along with the influx of foreign workers.

The plan calls for some 100 foreign male prisoners at 12 local jails to be transferred to Taejon prison starting from next month, while female inmates will remain in Chongju penitentiary, the ministry said.

The number of foreign inmates has grown from 93 in 1991 to 142 in 1992, 159 in 1993 and 188 in 1994.

DLP Moves To Suspend Kim Chong-pil's Authority

SK1701115695 Seoul YONHAP in English 1120 GMT 17 Jan 95

[FBIS Transcribed Text] Seoul, Jan. 17 (YONHAP)—The ruling Democratic Liberal Party (DLP), concluding

that party Chairman Kim Chong-pil has done harms to the party in connection with the party's reformative programs, moves to suspend Kim's party executive authority.

A ruling camp source said Tuesday the party judges that Kim has undermined party unity by criticizing President Kim Yong-sam, the party head, and hinting at creating a new party of his own.

"It was part of the DLP move that Chairman Kim has been asked not to attend a Kangwon Province party meeting Tuesday and that a party affairs meeting slated for Wednesday has been called off," the source said.

The ruling party is also planning to tell Kim to refrain from attending the reorganization meeting of the Taegu East-B District slated for Wednesday afternoon, he said.

DLP's Kim Chong-pil Comments on Resignation

SK1901034695 Seoul YONHAP in English 0140 GMT 19 Jan 95

[FBIS Transcribed Text] Seoul, Jan. 19 (YONHAP)—Kim Chong-pil, chairman of the ruling Democratic Liberal Party, has in effect voluntarily resigned.

Kim said, "I will close the chairman's office in the National Assembly building and at party headquarters as of today. I will go the way my thoughts direct."

Kim made the remark while meeting reporters at his home in Chongku-tong, Seoul, saying that "my role (as DLP chairman) has been over since the scheduled party event on Wednesday."

He attended a reorganization meeting Wednesday afternoon of the party's Taegu East-B District chapter, headed by former President No Tae-u's eldest son Chaehon, in defiance of DLP postholders' call for him to stay away from official party events.

Kim said his task is completed now that he has handed the DLP flag, which he said "will disappear soon," to the junior No, whose father was one of three key players involved in merging three parties to create the present DLP.

Asked whether he planned to quit the party, Kim affirmed his resignation as chairman by stating, "saying something about my DLP chairmanship was over as of yesterday (Wednesday). I forced my way down to Taegu City to see the party flag one last time."

However, Kim claimed that he has no intention of leaving the ruling party. "I have never spoken about secession. Just understand that I concluded my capacity as DLP chairman as of yesterday."

He continued, "although the name of the party is disappearing and the party is changing to other aspects that are different from what they were at the time of its inauguration, its stream remains."

Kim indicated that he would probably bolt the DLP and create a new party after the national convention scheduled for Feb. 7, saying that "during my meeting with President Kim Yong-sam on Jan. 10 at Chongwadae, I told him that I would go the way my thoughts direct."

Asked about his future course of action, he said he would make a disclosure after returning from the United States late this month.

Kim emphasized that he had no intention of leaving active politics when asked whether the closing of his offices at the parliament building and DLP headquarters meant a resignation of all he had. "The rooms are not mine, but the room in the lawmakers' hall is still mine."

President 'Deplores' DLP Chairman's Resignation

SK1901083895 Seoul YONHAP in English 0821 GMT
19 Jan 95

[FBIS Transcribed Text] Seoul, Jan. 19 (YONHAP)—President Kim Yong-sam deplores Kim Chong-pil's sudden resignation as chairman of the ruling Democratic Liberal Party (DLP) Thursday morning, senior presidential secretary for political affairs Yi Won-chong said Thursday.

Yi said the president had expected the chairman to play a key role at the national convention slated for Feb. 7, a promise that was made at their one-on-one meeting at Chongwadae [presidential offices] on Feb. 10.

"Nevertheless, President Kim deplores the sudden expression of Kim's resignation," Yi said.

DLP's Chong Chae-chol Acting Party Chairman

SK1901064195 Seoul YONHAP in English 0557 GMT
19 Jan 95

[FBIS Transcribed Text] Seoul, Jan. 19 (YONHAP)—The ruling Democratic Liberal Party (DLP) has reportedly decided to have Central Standing Committee Chairman Chong Chae-chol act as party chairman, a post left vacant by the resignation of Kim Chong-pil Thursday morning.

DLP officials said that under the party constitution, the committee chairman must fill the post in the chairman's absence, noting that Rep. Chong will stay on until the national convention on Feb. 7.

An official said that under Chong's provisional management the DLP will complete preparations for the convention such as choosing a new name, revamping the leadership system, and deciding the party's constitution, regulations and platforms.

A new chairman will be nominated shortly before the national convention, where that person is to be endorsed, he said.

Other party sources said President Kim Yong-sam has already started the process of selecting a new chairman.

Probable candidates for the job are Chong, Hwang In-song, Kim Yun-hwan, Yi Chun-ku and Yi Han-tong.

*** Kim Tae-chung, Pak Chol-on Relationship Noted**

952C0037B Seoul IRYO SINMUN in Korean 20 Nov
94 pp 2-3

[By reporter Kim Si-kwan: "Kim Tae-chung and Pak Chol-on Meet Twice under Tightest Secrecy—Political Quarters Are All Ears to Word of TK [Taegu-North Kyongsang Province] Contact Made Amid New Party Rumors]

[FBIS Translated Text]

A new version of the "DJP-PPD [Democratic Justice Party-Party for Peace and Democracy] coalition plan" of the three-party merger days resurfaces. And personages of the former ruling camp flock to Tonggyodong, prompting speculations that "something is cooking."

The two persons—Kim Tae-chung, chairman of the Asia Pacific Foundation [APF], and Pak chol-on, former lawmaker—led their factions and wielded great influence in the Sixth Republic: Kim in the opposition and Pak in the ruling camp. They both had played key roles in Korean politics. They were always pitted against each other across the party line, but that fact did not stain their personal relationship. Away from their interests, they remained relatively amicable with each other. It was that personal affinity that influenced Pak Chol-on considerably when he, at the time of the three-party merger in 1990, thought of Kim Tae-chung as his first choice for coalition partner. At the time, they met several times and discussed a "merger." Even after the three-party merger, Pak and Kim pushed for a second political realignment.

However, following the start of the new government in February last year, they both left politics and the contact ceased between them. There were no opportunities for them to meet any more. Of course they talked on the phone occasionally and that was about all. After his release from prison in early October, Pak Chol-on called Kim Tae-chung, thanking him for "thinking of me."

Also, before Kim's departure for England in January, Pak visited him at his Tonggyodong residence.

Thus, they are back to their delicate relationship these days. And many things are being said about it. Especially, in political quarters, which, amid speculations that "something is cooking," are stretching out feelers.

It is because of new-party rumors circulating in a section of political quarters. Although the two persons retired from politics, their activities are very much political. And all their activities are a target of media coverage, for media see the possibility of a new political organization

being created around them. That is why Kim-Pak meetings are linked to the rumored new-party, stirring concerns within and without political quarters.

In mid-October, following his release from 16 months of prison life, Pak Chol-on received a phone call. It was from an APF official. At the time, Pak was in ill health and recuperating at his home.

The caller conveyed Kim Tae-chung's message that he would like to see Pak. The reason was for "celebrating the release," and for celebrating the election of Pak's wife, Hyon Kyong-cha, to the National Assembly, the caller added. Pak did not turn down the invitation.

At about 7 P.M. on 31 October, four persons sat at the dinner table in Kim Tae-chung's apartment in Ilsan—Kim and his wife, Yi Hwi-ho, and Pak Chol-on and his wife, Rep. Hyon Kyong-cha. The get-together began with greetings and compliments. First, Kim said to Pak "You have had a tough time" and Pak replied "I could manage it, thanks to your kind thought." Kim's wife grasped the hand of Pak's wife. "Assemblywomen elected from local constituencies are not many. Congratulations on your election!" she said. And Rep. Hyon responded "Thank you."

Conversations continued through the dinner. They were generally on health and nonpolitical topics, said Rep. Hyon's aide, Hwang Tae-sun, who was wary of the party being given any political interpretation.

"Basically, there has been deep trust between the two," Hwang explained, adding that the party was just one of those things showing their personal relationship.

Political quarters, however, saw it in a different light. Their perception was extremely political. They are not about to stop suspecting that "something is cooking."

The reason is simple. It is that the two persons are politicians representing Honam and Taegu respectively. And there is another reason: rumors of a new-party move incessantly circulating around Pak Chol-on.

While many of those alienated by the new government keep in contact with them behind the scenes, Kim and Pak themselves continue to be quiet but politically active. The quiet political activity, combined with the rumored new-party move and their get-together this time produced a subtle effect of multiplication between them, widely stirring concerns of media and political quarters.

A source close to Kim Tae-chung disclosed that Pak Chol-on had met with Kim and aired his criticism of the new government and what he had been thinking in prison. At this meeting Pak reportedly asked Kim to play a positive role.

After listening to Pak, Kim reportedly showed his position by saying that "I already retired from politics." But, at the same time, he "was affirmative of Mr Pak Chol-on's view and outlook on politics," it is said. In connection with the substance of their conversations, there are

two observations reported. One is that "Mr Pak, preparing for his political comeback, is using face-to-face tactics on Kim" and the other that Pak is "attempting to reactivate a new version of the DJP-PPD coalition plan" which was considered by some awhile in 1990 but eventually fell through. Except for differences in nuance, the two persons are relatively close in their political views. During his Kwangju visit in September, Pak personally gave reassurances that "Mr Kim Tae-chung and I have a relationship of personal trust between us."

It was because of that similarity in political faith that they could easily build mutual understanding when they met, according to reports. There is another reason for concerns shown by media and political circles. It is their political activities that have picked up in recent days.

Pak Chol-on is "talkative" these days, usually criticizing the new government. At a gathering on 8 November, he charged that "key officials under President Kim Yong-sam are arrogant and haughty. They take people into custody at random." Touching on the new government's audit and inspection activities, he said that "the law enforcement is fraught with arbitrariness and lacks fairness." At the same gathering, he also revealed that "there was another memorandum on agreement about the cabinet system," to the embarrassment of President Kim Yong-sam. And expressing his grudge, he said he "fell a victim to a fraud."

Pak visits Taegu every weekend and meets many people. There, too, he would vent his feelings the same way. Many of those who meet him would show sympathy. Media depict it as "Taegu sentiment." In the [TK] region of Taegu and North Kyongsang Province Pak Chol-on has considerably wide support. Realistically, it translates into "political strength."

Consequently, rumors always flourish around him. He is also said to have met with Yi Tae-sop, a former lawmaker who fell from grace.

It is the same with Kim Tae-chung, too. While insisting that he retired from politics, he always puts himself in the center of politics. These days he is attracting many who belonged to the former ruling camp. They flock to APF auxiliary organizations. Former assemblymen Yi Tong-chin and O Yu-pang are typical cases. Furthermore, a Kim so-and-so from the Chungchong region, also assemblyman, and some members of the DJP faction in the Democratic Liberal Party are now frequent visitors to Kim Tae-chung's Tonggyodong residence. Also, a Yi so-and-so from Kwangju, a former assemblyman, reportedly is seeking membership in a supporters association for APF. Painting a sarcastic picture of this development, some say that those who were given "the cold shoulder" by the new government have now turned to political begging. But the number of former ruling camp figures now peeking into Tonggyodong is on the increase daily.

Tonggyodong is also considering bringing in former Prime Minister Yi Hoe-chang and former Deputy Prime

Minister Cho Sun. A key member of the Tonggyodong faction even went to political analysts to find out what chances they have as "candidate for the Seoul mayor post." The faction is said to have voted for bringing them in as candidates in the mayoral election. It has even had contact with the two persons on this matter a few times already, says a source of the faction.

Meanwhile, some say that Rep. Yi Chong-chan, who is about to join the Democratic Party, met with former Prime Minister Yi Hoe-chang in early November.

The omnidirectional contacts being made by the Kim Tae-chung side and the words being uttered by Pak Chol-on—these two things have become even more conspicuous now that the two persons have met.

* Auto Industry Moves Ahead With Expansion

Plans for Expansion in Demand

952C0003A Seoul HANGUK KYONGJE SINMUN in Korean 13 Sep 94 p 3

[By reporter Kim Chong-ho]

[FBIS Translated Text]The automobile industry is moving ahead with full-scale facility investment. Car-makers, including Hyundai, Kia, and Daewoo, are bringing forward their mid and long-term plans for domestic and overseas factory construction in response to expanding domestic and foreign demand. They are also increasing partial expansion and supplementation of existing facilities.

Hyundai Motors

On the 16th, construction will begin on the third factory in the Inju Industrial Complex in Asan-kun, South Chungchong Province, with Chairman Chong Se-yong and President Chon Song-won in attendance. Three-hundred thousand mid-sized passenger cars will be built for export in this factory, which is being constructed on a lot of 1.977-million square yards. Construction will be completed in late 1996. Most of the Chonju factory (the second factory), construction on which began last January, is already completed. A large-sized bus [production] line is planned to go into operation during the first half of next year [1995]. A large-sized truck line too will be completed late next year. Seventy thousand large-sized commercial vehicles will be produced annually at this factory, which was built on a lot of 790.8 square yards at a cost of 300 billion won [W]. When the bus factory at this complex is complete, the large-sized bus line at the Ulsan factory will be changed to make the small-sized bus, Grace. This is planned to meet the run-away export demand for small-sized buses. The No. 1 Yulchon Industrial Complex, which concluded a development agency contract with South Cholla Province on the 13th of last month, will begin the work of building an industrial complex within the year. Its target is to begin factory construction in 1997 and complete it in 2000.

Approximately W2 trillion in facility investment will go into the fourth factory. After completion, it will produce 500 thousand passenger cars. It will also have separate driving-test grounds and a research facility. As for its overseas factories, it has completed its purchase of the site for its Malaysian factory and has begun the work of leveling the site. To be completed in September of next year, the factory will produce 100 thousand 1.25-ton trucks annually. A plan for this location to manufacture Sonata IIs as well is also being considered.

Kia Motors

The Asan Bay No. 2 Factory now under construction, at a cost of W1.5 trillion, is scheduled to be completed in 1997. However, some lines will begin operating in the first half of next year. These lines, presently fitted with equipment, will produce the G Car, a new model, mid-sized passenger car. In addition, construction is in full swing on a factory, targeted for completion at the end of this year, to produce 1,800-cc engines for mounting in the G Cars. This factory's annual production will be 100-thousand units. Work is in progress on the construction of a new production line for the BT-57 (Alvella) Notch Back. A line for the small-sized commercial vehicle, NB-9, to go into production next year, is also being installed. A lot of 2.847-million square yards has already been secured for a joint factory in Indonesia. Various preparations are under way to make it possible to begin construction within the year.

Daewoo Motors

At the Kunsan integrated automobile manufacturing facility, pile construction is completed on the large-sized truck factory and construction is under way on the foundation of the passenger-car factory. To be completed in May 1995, the large-sized truck factory will have an annual production of 12-thousand units. Ahead of schedule, the passenger-car factory, to be completed by 1996, will produce 300-thousand units. In addition, Daewoo plans to build a small and mid-sized commercial vehicle factory by late 1998; it will produce 180-thousand units [annually]. A total of W1.7 trillion will be invested in the construction of this factory. The work of converting a portion of the Changwon light-vehicle factory to lines producing LeMans and Cierro models will be completed next month. Thus, it will manufacture cars for export. It's production capacity will be 90-thousand units. With a planned annual production of 200-thousand units, Daewoo's Uzbekistan factory, construction of which began in 1993, is presently installing equipment. It is planned to enter production in 1996. In addition, construction has begun on factories in Iran and Vietnam as well.

Asia Motors

Beginning last March, the Pride line Asia took over from Kia Motors has been in normal operation. Work has begun on preparing a lot for its Pyongdong factory as

well. Construction is to begin on the Pyongdong factory at the end of this year and be completed in 1996. It will manufacture medium and large-sized buses.

Ssangyong Motors

The small-sized commercial-vehicle factory at Ssangyong's Songtan manufacturing facility is in the very last stages of construction. To be completed early next year, this factory will produce the MB-100, a small-sized commercial vehicle. With an annual production capacity of 50-thousand units, this factory will be expanded in 1997 to produce 100,000 units. The purchase has almost been completed of the 3.242-million-square-yard lot for Ssangyong's factory in Talsong, North Kyongsang Province. Construction will begin as soon as an environmental-impact evaluation is completed and is planned to be finished by 1996. It will produce passenger cars, large-sized commercial vehicles and be equipped with a driving-test facility.

Firms Build Dock Facilities

952C0003B Seoul HANGUK KYONGJE SINMUN in Korean 13 Sep 94 p 3

[By reporter Kim Chong-ho]

[FBIS Translated Text] Investment is bustling in construction of docks exclusively for export use and product-handling complexes. This is because, although the number of cars manufactured is increasing greatly, there are no proper open storage facilities in which to park finished cars and it is difficult to cope with rapidly increasing export quantities with existing waterfront facilities. It is the plan of the industry to definitely secure private wharves and open storage yards at the same time new factories are being built. Of the auto industry, only Hyundai Motors, which has secured private docks for its Ulsan plant, began building wharves at the same time it started construction on its Asan factory. The private wharf being constructed in the Posung Complex, about 15 km from the Asan factory, will accommodate one 50-thousand-ton class ship and will be completed ahead of schedule. Hyundai also secured a 23,724-square-yard open car storage yard in this complex. Kia Motors has decided to fill in a 4.626-million-square-yard area of adjacent sea water to create a large-scale products-handling complex, which will include a finished-car open storage yard and parts-handling facility. It will also build a private wharf at this location capable of accommodating two 50,000-ton, car-transport ships. Kia's construction division will begin construction next year, upon completion of an environmental impact evaluation. It plans to first finish the private wharf by 1997. The products-handling complex is planned to be completed by 2000, at a cost of W400 billion. Presently building its Kunsan integrated automobile-manufacturing facility, Daewoo Motors plans to construct a large-scale private wharf at the Kunjang New Port wharf for attracting private capital. This wharf,

construction of which is to begin as soon as it is licensed by the Kunsan Regional Maritime and Port Administration, will be 300 m in length by 315 m in width. It is to be completed in 1996. Ssangyong Motors too is preparing a finished-car open storage yard and private wharf in Masan for exporting passenger cars produced at its Talsong plant. It secured a 197.7-thousand-square-yard site among the planned landfill sites in Yulgu Bay. The private wharf to be built there is to be completed in 2000.

Firms Secure Research Facilities

952C0003C Seoul HANGUK KYONGJE SINMUN in Korean 13 Sep 94 p 3

[By reporter Kim Chong-ho]

[FBIS Translated Text] Securing research facilities for strengthening technology is another major task confronting the auto industry. In addition to its passenger-car and commercial-vehicle research and development centers in Ulsan, its Mabuk research center in Yongin, and its HATC (Hyundai America Technical Center) in Ann Arbor, [Michigan.] U.S., Hyundai Motors is building a research center at Namyang Bay in Kyonggi Province. In the last stages of construction, this research center, along with its 4.033-million-square-yard, large-scale driving-test grounds, has all the research capabilities needed for product development, design, and performance testing. Hyundai Motors plans to use it as its central research center in the future. The carmaker also aims to build a factory and a research center in Yulchon, South Cholla Province as well. This research center will have separate functions concerning product development, design, and performance testing. It is also planned to secure a driving test facility of 1.977-million square yards. The work of construction is in full swing on Kia Motors' research center in Japan. Being built in Chiba Prefecture, located at a point between Narita Airport and Tokyo, this research center will be completed in June of next year. With W30 billion invested in it, this research center, as an independent corporation, will have an independent system of research and development in the future. It will be in charge of securing the capacity for original engine and power-train design and of leading research and development on commercial-vehicle design, new products and commercialization technology through joint design of new technology, and electronic parts. Technology for coping with the environment is also an important subject to be researched. In addition to its U.S. research centers, one in Detroit in charge of finding technological connections and local parts development and one in LA in charge of design, Kia plans to set up a European research center to handle certification of vehicles being exported to Europe and essential parts development. Following expansion of facilities this year at its Pupyong factory technological research center, at a cost of W190 billion, Daewoo Motors will complete by the end of this year a large-scale integrated research center equipped with an engine-testing office, environmental-testing office, and a crash-testing office. Last

year, Daewoo took over the Worthing Technical Center, located in the United Kingdom, from the IAD Group, a world-class engineering firm. It has been operating the center since then. It now plans to set up technical centers in both Germany and the U.S.

FTC Plans To Do Away With Corporate Collusion

*SK1901011095 Seoul THE KOREA TIMES in English
19 Jan 95 p 8*

[FBIS Transcribed Text] In a move to boost fair competition, the Fair Trade Commission [FTC] yesterday decided to overhaul cartel systems and to have companies do away with collusion when setting prices, output, and sales amounts.

Accordingly, such charges as insurance premiums, brokerage commissions for stock trading and lawyers fees, things which have been almost set by collusion among those involved, will be differentiated according to the condition of the firms.

In addition, business boundary restrictions agreed on by firms to divide business areas in order that each can exclusively deal in a specific business will also be scrapped.

The FTC said its move to strengthen its supervision and punishment of cartels is aimed at stimulating fair competition and thereby stabilizing prices.

However, the FTC said it will allow cartels if they are deemed inevitable for the public interest and social welfare.

For example, public transportation fares like bus and taxi fares will not be affected by the new rules.

In order to detect problematic factors causing collusion among firms, the FTC plans to collect data including enterprises' internal codes and customary practices and reform them.

The FTC said it will also press hard with revising related laws and regulations.

Committee Established on Unfair Trade Practices

*SK1501061595 Seoul YONHAP in English 0612 GMT
15 Jan 95*

[FBIS Transcribed Text] Seoul, Jan. 15 (YONHAP)—The Justice Ministry will form jointly with the Fair Trade Commission (FTC) a committee controlling unfair trade practices, such as exaggerated advertising and false dates of manufacture on the products.

On the committee will be public prosecutors and FTC officials, who will meet once a week to decide what businesses should be accused of unfair trade practices, ministry officials said.

At present, businesses, especially conglomerates, committing unfair trade practices can be prosecuted only when the FTC asks the prosecution to start legal proceedings against such businesses, despite the increasing unfair trade practices year in and year out.

For instance, a total of 1,002 unfair trade practices have been detected over the three-year period started 1991 but only four of them were brought to justice and the remaining were put to light administrative actions.

The proposed committee will contribute much to preventing unfair trade practices because it will enable public prosecutors to investigate into any unfair trade practices without the FTC's request, an official said.

President Promotes 'Counter-Drought' Measures

*SK1901083395 Seoul YONHAP in English 0750 GMT
19 Jan 95*

[FBIS Transcribed Text] Seoul, Jan. 19 (YONHAP)—President Kim Yong-sam instructed the Agriculture, Forestry and Fisheries Ministry Thursday to "promote comprehensive counter-drought measures on a pan-governmental level."

The chief executive issued the instruction after hearing a report on the ministry's anti-drought steps for the country's southern region from Minister Choe In-ki, saying inter-ministerial cooperation is essential for implementing anti-drought measures, according to a Chongwadae [presidential offices] spokesman.

The success or failure of this year's agricultural program, the president noted, depends on overcoming the current drought, efficient management of imported farm products, and early settlement of agricultural and fisheries policies to cope with the launch of the World Trade Organization (WTO).

In this connection, Kim said, the central government should encourage local autonomous bodies to implement policies efficiently by providing confirmation and inspection on site.

Southern Provinces Suffer From Water Shortage

*SK1901044595 Seoul THE KOREA HERALD in
English 19 Jan 95 p 3*

[FBIS Transcribed Text] Due to the long drought which began last summer, southern provinces are suffering from a serious water shortage.

In 12 cities and counties in the southern provinces, water supply is restricted, and farmers and housekeepers, as well as businesses, are eagerly waiting for rain or snow.

Beginning next Tuesday, tap water will be available only every other day to over 350,000 citizens in Pohang and surrounding Yongil County in North Kyongsang Province, said an official at the Ministry of Construction and Transportation yesterday.

The Yongchon Dam, the main tap water source for the area, has almost dried up and officials bring water from the Hyongsan River with water pumps to supply 70 percent of tap water needed for the citizens.

But if the drought continues, only 110,000 tons of water a day, or half of tap water needed can be supplied, said the official.

Despite the restricted water supply, the authorities will supply 60,000 tons of water everyday to the Pohang Iron and Steel Co. (POSCO), lest water shortages hamper production, the official said.

A POSCO spokesman, however, said that "we need at least 50 mm of rain right now, or we are going to have serious problems."

In the Pohang-Yongil area, the tap water supply has been reduced by 10 percent last September, by 30 percent in mid-October, and by 50 percent since Dec. 5 last year.

Restricted water supply due to the drought is affecting over 422,000 citizens of 118,000 households in the 12 cities and counties.

In the rural South Cholla and South Kyongsang Provinces, the shortage of potable water and water to run factories is already very serious, but farmers are more concerned that the continued drought will result in a bad crop this year.

"We have to begin rice planting in March or April, and I don't know what to do," sighed Kim Yong-nak, 48, a farmer in Muan, South Cholla Province.

In three villages in Namhae, South Kyongsang Province, over 2,300 residents are now tired of the "war with water" that began last August.

"Water supply for us is restricted to three hours every five days now, and we have no time to worry about the coming rice planting," said a farmer. "But we have to save some water for farming," he said.

Residents drill the ground to find water, but many of them are just looking at the skies.

*** New Graduate School of Military S&T Planned**

952C0037A Seoul KUKBANGGWA KISUL in Korean
Nov 94 pp 122-127

[Unattributed article: "Backgrounds and Management Plan of the Newly Established Graduate School of Military Science—To Train Talents for Leading Future Scientific Warfare"]

[FBIS Translated Text]

A postgraduate school offering master's courses in military science and technology [S&T] to prepare for future warfare is about to open officially. The Graduate School of Military Science, opening by an amendment promulgated on 8 September to the

enforcement ordinance of the Military Academies Law, is scheduled to select students within this year and officially embark on training in 1995. It will have six courses—weapons engineering, electronic communication engineering, earth engineering, materials science, ocean engineering, and aerospace engineering. Following is an introduction to this school, which will be run by the close cooperation of industries, universities and research institutes.
(Editor)

Backgrounds of the Establishment

The amendment, promulgated on 8 September, to the enforcement ordinance on the Military Academies Law legally cleared the way for the opening of the Graduate School of Military Science, an institution to train S&T manpower to lead scientific warfare of the future.

The role of military S&T has become so important in modern warfare that it is not too much to say that even lurking behind the nuclear weapons issue that became the most critical issue in North-South relations is a struggle for superiority in military S&T and thereby for first-strike capability.

The Gulf war, for instance, indisputably demonstrated what superiority in military S&T means.

With the aid of satellites and high-powered cameras, the multinational force could see Iraqi military moves as clearly as one sees the palm of his hand, while its fighters and bombers, equipped with up-to-date electronics and infrared devices, attacked selected targets day and night, paralyzing Iraq's command communication systems so devastatingly that its troops and fire power—earlier known as one of the mightiest—turned out to be good for nothing.

On the other hand, damage on the multinational force was minimal.

In particular, the fact that General Schwarzkopf, the Gulf war hero, had taken a master's course in electronic engineering and studied computer science during his young officer days, strongly suggests how military leaders should prepare themselves these days.

In view of the rapidly developing high-tech means of war, and to actively prepare for future battlefield environments they create, the Defense White Paper (1993-94) states that under its mid- and long-term defense policies, Korea will shift from the current military structure primarily relying on troop strength to an equipment- and technology-intensive structure. It will adopt, it says, a defense S&T modernization program as a priority policy task and gradually increase the defense R&D investment, which is currently at a 3% level, and expand educational opportunities for professional manpower and reinforce related organizations.

It also states that in the future, Korea will basically domestically produce weapons it needs, curtailing

imports. To that end, it will expand national R&D networks linking industries, universities and research institutes. To enhance professional levels of defense manpower, the government will focus on developing personnel management systems, expanding and upgrading educational institutions, and consolidating promotion system, says the White Paper.

Teaching and Operating Plans

The Graduate School of Military S&T is opening to implement in part the military policies as stated in the Defense White Paper. Students will be selected within this year and the school will officially open in 1995.

It has been established as a unified system of the three services consistent with the characteristics of modern warfare in which army, navy and air force operate simultaneously in three dimensions. The degree-course instruction and research guidance will be provided by professors and scientists of the military academies, research institutes under the Ministry of National Defense [MND] such as ADD and KIDA, offices in charge of defense policies, and universities.

See "Table 1" for courses being offered. They are S&T fields representing priority needs of the military.

The table indicates military academies in charge of different fields. This indication should not be taken as meaning any discriminations against applicants.

For instance, army and navy officers, as well as air force officers, majoring in aerospace engineering will take the course at the Air Force Academy, while army and air force officers taking the ocean engineering course will do so at the Naval Academy, along with their navy colleagues.

Also, as indicated in the White Paper, since the future military S&T is not for the military alone to research and develop but it requires the close cooperation of industries, universities and research institutes, enrollment is open to qualified MND personnel and members of military science-related research institutes and defense industries, as well as to military officers in active service with the rank of major or under.

They will make the best of experience gained in their respective fields and share them with their colleagues for maximum results in their education and research. It can be expected that when graduates become leaders in their fields, they will develop mutual cooperation in a more effective and organic fashion.

Enrollment and Related Information

See "Table 2" for information on planned enrollment procedures.

These plans are subject to change. Final enrollment procedures will be announced in official papers to offices concerned and in the National Defense Bulletin.

Apartments will be available for married officers who are currently assigned to front-line posts and do not have their houses; in case of bachelor officers, BOQ's are available.

Further detailed information can be obtained by visiting or calling the Graduate School main office in the Military Academy (02-970-2881/2882)

Major Fields of Study

Weapons Engineering

The weapons engineering course is for training specialists for operations and R&D of high-tech weapons. Instruction and research will focus on three fields—"system analysis and optimal design," "propulsion and energy conversion" and "control and automation."

"System analysis and optimal design" focuses on characteristics of the interdependent modern weapons systems. And through subjects including system engineering, optimal design, numerical analysis and weapons system design, it develops capabilities of system analysis and design.

"Propulsion and energy conversion": This field will include thermodynamics, combustion engineering, computer aeromechanics, ballistics, and ammunition science.

"Control and automation" focuses on enhancement of the precision of weapons systems and improvement in safety and manipulation through use of robots; subjects of study include automatic control, robotics, automation science, mechatronics and hydraulic engineering to cultivate top-notch technological capabilities.

The course will have 14 full-time instructors and six others invited from research institutes and defense industry firms. Best qualified for this course will be college graduates who have majored in mechanical engineering, machine plant engineering, precision mechanical engineering, aeronautic engineering, or shipbuilding engineering.

Materials Science

This course, designed to train R&D specialists for high-tech weapons, is for instruction and research in three fields—"new materials," "material composition and catalysts" and "laser and radiation."

"New materials" focuses on development of armor materials and materials for intelligence gathering devices

based on the knowledge of mechanical, thermal, electromagnetic, optical and chemical theories and characteristics about various solid materials—including metal materials, ceramic materials, polymeric materials and semiconductor materials.

"Material composition and catalysts": For synthetic new materials and development of related technologies, research will focus on artificial catalysts that can put chemical action materials to hydrolysis and on development of protection for such materials based on the knowledge about organic chemistry, inorganic chemistry, physical chemistry, biochemistry and polymer chemistry, as well as on synthesizing various organic and inorganic materials such as explosives.

"Laser and radiation": Emphasis is laid on development and application of laser generating materials, research on optical weapons and nuclear physics, and on development of radiation detecting sensors.

The school has high-tech equipment for this course. There will be 14 full-time instructors and many visiting professors from the materials engineering, physics and chemistry fields.

Electronic Communication Engineering

This course, aimed at training specialists needed in the advanced modern electronic environment, provides instruction and research focusing on three fields—"electronic warfare," "battlefield monitoring" and "guidance and control."

"Electronic warfare" and "battlefield monitoring" cover such subjects as band diffusion communication, modulation mode classification and recognition, digital communication modem design, computer communication, radar signal processing, encoding and encryption, decoding algorithm design for error correcting code, signal processing technique and transmission system for effective delivery and storage of image information, detection and pursuit of mobile targets, UHF and radar system ECM [electronic countermeasure] and ECCM [electronic counter countermeasure] techniques, and C³I [command, control, communications, intelligence]. Also covered are analysis of global-positioning-system (GPS) signals using satellites, system design and military application, and application software.

"Guidance and control" is for studying characteristics of various control systems, guidance/pursuit/control of flying objects, electronic warfare prosecution method, adaptive control and optimal control, nonlinear system control, digital control, fuzzy control, and other artificial intelligence [AI] controls and robotics.

This course will have eight full-time instructors and many visiting professors. Best qualified for enrollment will be college graduates who have majored in electricity, electronics, communications, control and computer engineering.

Earth Engineering

In modern warfare, the importance of information network on battlefield environment and of upgrading military facilities has markedly increased, along with high-tech weapons systems. In response to the change, instruction and research in this course cover "geographic information and terrains," "open field military environment" and "structure destruction." Students will study open-field military environment dealing with field warfare protection and open-field mobility, and analysis/design/destruction of military structures.

Major subjects of study: terrains of the Korean Peninsula and surrounding regions, meteorological analysis and earth structure analysis, numerical map, military application of geographic information system (GIS) and global positioning system (GPS), development of techniques for military utilization of dams and assessment of its risk, development of open-air mobility assessment technique; analysis/design technique of underground military structures, and development of detonation/dismantling methods.

This course is open to eligible applicants regardless of their undergraduate majors. Still, it is suitable for those who majored in civil engineering, architecture, physical geography, geology, geophysics or geography to apply.

The course has 14 full-time instructors from the Military Academy and seven visiting professors.

Ocean Engineering

Ocean engineering is a sort of complex science seeking utilization of ocean environment for military purposes through oceanographic research. The course consists of two fields: "ocean science" and "ocean engineering."

"Ocean science" consists of physical oceanography, geological oceanography, chemical oceanography, military oceanography. And main subjects of research are: sea water movement and numerical modeling, wave and tidal phenomena, submarine deposit, geophysical exploration, underwater sound-wave propagation, utilization of marine environment for naval operational purposes, and environment analysis for submarine operations.

"Ocean engineering" includes marine structural engineering, vibration noise engineering, hydraulic engineering and marine system. Objects of research include assessment of structural intensity of ships, analysis of hull vibration, control of ship noise, analysis of seaworthiness of ships, ship-type development, development of unmanned deep-sea exploration craft, AI development, and development of submarine detection and identification techniques.

Aerospace Engineering

Aerospace engineering is a science relating to development and operations of aircraft, missiles and spaceships.

It is a complex engineering, the elements of which including such sciences as materials and structures, aeromechanics, combustion engineering, aviation electronics, computer science, and flight safety engineering. The government is fostering the aviation industry as a state strategic industry. To develop capabilities for analyzing and resolving technological problems arising in the management and operations of aeronautical weapons systems, this course is divided into two fields—"aeronautical engineering" and "aeronautical safety engineering."

"Aeronautical engineering," based on the knowledge of dynamics and aeronautical engineering, covers aerodynamics, flight dynamics, composite materials, combustion/propulsion engineering, flight control and aircraft design. The school has high-tech equipment relating to this field. In particular, a subsonic wind tunnel that can produce velocity up to 92m/sec, being installed in 1997, will be the largest of its kind in the country. The Institute of Aeronautics and Space, affiliated to the school, is known for many researches it has conducted.

"Aeronautical safety engineering" covers vital dynamics, human engineering and safety engineering relating aircraft and pilot safety under hazardous flight environment. The school has the required high-tech facilities, including motion analyzer and flight simulator. The affiliated Pilot Aptitude Research Institute is striving to improve levels of pilot aptitude and operational skills.

Table 1. Majors of Graduate School of Military S&T

Major	Academy in Charge
Weapons Engineering	Military Academy
Electronic Communication Engineering	Military Academy
Earth Engineering	Military Academy
Materials Science	Military Academy
Ocean Engineering	Naval Academy
Aerospace Engineering	Air Force Academy

Remark: Capacity—60 per year, 10 per major

Total Units, 36: Course, 24 or over; Research, 12 or less

Table 2. Enrollment and School Opening Plans

Date	Activity
Early Oct-Late Oct 94	Applications received (thru respective command channels)
30 Nov 94	Admission ticket for examination issued
1, 2 Dec 94	Written test & interview
16 Dec 94	Successful applicants announced
13, 14 Jan 95	Registration (at Graduate School Hqs)
16 Jan-25 Feb 95	Basic education (at Graduate School Hqs)
2 Mar 95	Course opens (each major at respective academy)

Burma

Thai Foreign Minister Arrives on Visit 18 Jan

Delegation Welcomed by U Ohn Gyaw

*BK1801152995 Rangoon Radio Myanmar in Burmese
1330 GMT 18 Jan 95*

[FBIS Translated Text] The Thai foreign minister, Mr. Thaksin Chinnawat, and party arrived by a special aircraft at Yangon [Rangoon] this afternoon at the invitation of U Ohn Gyaw, minister of foreign affairs of the Union of Myanmar [Burma]. The Thai foreign minister and delegation were welcomed at Yangon Airport by Foreign Minister U Ohn Gyaw, Thai Ambassador Poksak Nin-ubon, and responsible personnel from the Foreign Ministry and the Royal Thai Embassy.

Foreign Minister U Ohn Gyaw received Mr. Thaksin Chinnawat, the visiting Thai foreign minister, and party at the Lawkanat Hall of the Karaweik Hotel at 1800 this evening and held friendly and cordial talks on bilateral relations.

U Ohn Gyaw later hosted a banquet at the Mingalar Hall of the Karaweik Hotel at 1900.

Minister Affirms Bilateral Ties

*BK1901030995 Bangkok BANGKOK POST in English
19 Jan 95 p 3*

[Report by Woranan Khrogbunying in Rangoon]

[FBIS Transcribed Text] Foreign Minister Thaksin Chinnawat last night confirmed that Thailand will continue its constructive engagement policy with Burma.

"This policy has proven to be beneficial for both Thailand and Burma. Hence there will not be any changes for the time being," Dr Thaksin said.

The Foreign Minister made the statement after meeting his Burmese counterpart Ohn Gyaw over dinner last night. He was paying a one-day official visit to Burma as the last in a series of visits to Thailand's neighbouring countries.

He said the atmosphere at the dinner was friendly and the Burmese foreign minister who hosted the dinner invited several other key Burmese officials to the function.

Dr Thaksin said Thailand has been serving a useful role as a window for Burma to the rest of the world. He cited the case of Japan keeping in close contact with Thailand to monitor the latest political developments in Burma.

Japan is waiting for substantive political reforms in Burma in order to justify the resumption of its economic assistance to that country which was suspended after the bloody suppression of the pro-democracy movement in 1988.

"Japan is relying on us to update itself on the latest political changes because Tokyo feels that we are closer to Burma," he said.

Dr Thaksin conceded that Thai investment in Burma has lagged behind that of other countries, especially Singapore. He said this is because Thai businessmen are still not confident about the economic situation in Burma and its exchange rate regime and Burma has also had some unfavourable experiences with Thai businessmen in the past.

Unlike Singapore which has made an all-out effort to commit long-term investment to Burma and now ranks as the top foreign investor here, Dr Thaksin admitted that coordination between the Thai Government and its private business community relating to investment in Burma is still not effective enough.

During yesterday evening's discussion, Dr Thaksin urged the Burmese side to open up new opportunities for Thai business investors.

On security matters, the Thais assured the Burmese of their policy not to interfere in Burma's internal affairs.

Dr Thaksin said Thailand has to assist refugees who flee fighting into Thailand from Burma on humanitarian grounds, because otherwise it would be condemned by the international community.

But, at the same time, Thailand would have nothing to do with different ethnic minority groups since any assistance to them would be tantamount to interfering in Burma's internal affairs.

Brunei, Malaysia & Singapore

Malaysia

Singapore's Lee Discusses EAEC, APEC

*BK1801152095 Kuala Lumpur UTUSAN MALAYSIA
in Malay 18 Jan 95 p 5*

[FBIS Translated Text] Kuala Lumpur 18 Jan—Singapore Deputy Prime Minister Brigadier General Lee Hsien Loong today said the future of the East Asia Economic Caucus (EAEC) depends on the participation of the economic giant of this region, Japan.

Brig. Gen. Lee is confident that through gentle persuasion and planned negotiations that are being held, Japan will change its stance on the formation of EAEC.

Lee said the EAEC need not exist as a trading bloc if it wants to be seen as a positive measure to establish a strong economic grouping.

"If the formation of EAEC will cause division in the Asia-Pacific region, then it is not something desired by any country.

"By placing the EAEC under the Asia Pacific Economic Cooperation (APEC), it will become a small and useful grouping because the number of countries that have common interests in it will increase," Lee added.

Lee reiterated that the function of EAEC should correspond with APEC policy, which is observed by the ASEAN Free Trade Area (AFTA) and ASEAN.

Lee said this during a question and answer session with participants of a forum held at the Civil Service Training Institute in Bukit Kiara near Kuala Lumpur.

Addressing the forum organized by the Institute of Diplomacy and Foreign Relations, Lee gave a talk entitled: "Malaysia and Singapore Together in a Dynamic Region."

He was also asked about Malaysia-Singapore cooperation in tapping investment opportunities in third countries.

He said Malaysia has its own expertise which has been proven by the construction of the North-South Highway project and such expertise is required in this region.

"Investment opportunities that have so far been taken up by Singapore and Malaysia individually, will become more meaningful and advantageous if they are carried out jointly," he added.

Lee said that such opportunities are now available in India, China, and Vietnam.

Responding to a question on the disputed Pedra Branca Island claimed by Malaysia and Singapore, Lee said after an exchange of documents that the two sides still failed to resolve the issue.

He said the issue will be referred to the International Court of Justice (ICJ) at The Hague and Singapore will accept whatever decision the court makes.

PRC Councilor Comments on Talks With Mahathir

BK1601101795 Kuala Lumpur Voice of Malaysia in English 0800 GMT 16 Jan 95

[FBIS Transcribed Text] China hopes to learn from Malaysia's experience in curbing inflation and maintaining economic growth. This was stated by State Councilor and Secretary General of the State Council Luo Gan. He told reporters this after calling on Prime Minister Datuk Sri Dr. Mahathir Mohamed at his office in Kuala Lumpur. Luo is leading an 11-member delegation on a nine-day visit to Malaysia. He said Malaysia has gained international repute through its achievements in various fields.

Finance Minister: Economy Basically Strong

BK1401121495 Kuala Lumpur Voice of Malaysia in English 0600 GMT 14 Jan 95

[FBIS Transcribed Text] Malaysia's economic fundamentals are very strong and there is no reason whatsoever to compare it with the financial crisis in Mexico, especially with regard to the devaluation of the peso.

Finance Ministry Secretary General Datuk Clifford Herbert said that though both Malaysia and Mexico faced current account deficit, they should not be seen in the same light. He said Mexico is facing currency and stock market turbulence with the peso recording a significant devaluation over the past few days and has a persistent current account deficit. As far as Malaysia is concerned, its current account deficit is a temporary phenomenon brought on by a significant import of capital and intermediate goods with consumption growth only amounting to 20 percent.

Japanese Minister's Remarks on EAEC Noted

OW1901141095 Tokyo NIHON KEIZAI SHIMBUN in Japanese 14 Jan 95 Morning Edition p 5

[By Masato Shimizu]

[FBIS Translated Text] Kuala Lumpur—Finance Minister Masayoshi Takemura, in the 13 January talks with Malaysian Prime Minister Mahathir Mohamed, expressed a positive attitude toward Malaysia's proposal for the establishment of the East Asia Economic Caucus (EAEC). He said "larger number of Japanese people are now supporting" the EAEC proposal, and he "would like to persuade the United States" to realize the proposal. It appears Takemura paid lip service "on purpose" to demonstrate his "Asia-oriented stance." But his remarks are likely to be regarded as a delicate change in the position of the Japanese Government, and the United States may react strongly to such moves.

On the eve of his Asia trip, Takemura asked his close associates: "Do you think I will have trouble if I say I am for the EAEC?" While Takemura did not actually make such a candid remark at the 13 January talks, his position is apparently more progressive than that of Prime Minister Tomiichi Murayama, who said "I highly rate ASEAN's efforts to persuade the United States" when he met Mahathir last summer. A source accompanying Takemura noted the remarks by Takemura are a little bit exaggerated assumption of working-level officials, and the remarks "reflect Takemura's sentiments as a politician."

As the result of Takemura's consideration, Prime Minister Mahathir clarified his intention to conditionally attend the informal summit talks during the Asia-Pacific Economic Cooperation (APEC) Osaka conference in November. Before leaving for Washington, Prime Minister Murayama asked Takemura to "go to China and Southeast Asia." As proxy for Murayama, Takemura has somehow succeeded in obtaining Mahathir's support for the APEC Osaka conference.

However, the Clinton administration is taking cautious attitude toward the EAEC proposal which excludes the United States. The Takemura remarks may face protests from the United States because those are regarded as opinions of a prominent Japanese politician who supports the Murayama administration. A source in the

Ministry of Foreign Affairs [MOFA] said calmly Takemura is "not a foreign affairs authority," as MOFA does not want to anger the United States. On the other hand, debates over desirable diplomatic stances toward the United States and Asia are heating up in Japan, as the Federation of Economic Organizations of Japan is leaning toward a pro-EAEC opinion. Under such circumstances, the Takemura remarks are likely to trigger further controversies. (endall) 14 jan nk/purhar dp051901.013 fc 19/1411

Cambodia

Further on Ranariddh's Three-Day Visit to SRV

*BK1801123395 Phnom Penh AKP in English 1003
GMT 18 Jan 95*

[FBIS Transcribed Text] Phnom Penh AKP January 18—First Prime Minister Prince Norodom Ranariddh returned home Tuesday, 17 January, after a three-day official visit to Vietnam.

Prince Ranariddh was leading a high-level Cambodian delegation accompanied by several ministers including those of commerce, tourism, public works and foreign affairs, for talks on major issues with neighbouring Vietnam.

The talks was held in Hanoi on January 16 between the Cambodian delegation and that of Vietnam led by Prime Minister Vo Van Kiet.

The talks focused on the transit of merchandise via Vietnam, Cambodia's immigration law, the border issue and economic and trade cooperation between the two countries.

The two sides agreed to further implement the accord on the merchandise transit signed on April 3, 1994 and agreed to amend a number of articles of the accord in accordance with the international law and practices in the interest of the two countries.

Both sides also agreed to negotiate to reach an accord on the transportation as soon as possible with an aim to facilitating the transport of the merchandise transiting the countries.

Referring to Cambodia's immigration law, Prince Ranariddh assured that it was to be implemented towards all foreigners staying in Cambodia and without any intention to make mass deportation of the Vietnamese ethnics or other foreigners from Cambodia.

The Cambodian side would do all it could, in conformity with its local law and its capacity, to provide safety to all foreigners living in Cambodia, the prince said.

Both sides agreed to hold the meeting of the working teams of the two countries in the near future to solve the problem of ethnic Vietnamese population living in Cambodia on the principles of respecting the Cambodian law and international law and practices.

As far as the common border issue is concerned, both sides affirmed their intention to establish the border between the two countries as a border of long-standing peace, stability, thus contributing to the development of cooperation and good neighbourhood between the two nations.

Both sides also agreed to permit the authorities of the two countries to meet and take measures aimed at maintaining security and stability along the border.

Both sides reaffirmed their agreement to establish working teams to discuss and solve the problem of border demarcation between the two countries.

Laos Denies Troops Occupied Area in Stung Treng

*BK1801065995 Phnom Penh REAKSMEI
KAMPUCHEA in Cambodian 18 Jan 95 p 2*

[FBIS Translated Text] The Lao Embassy in Cambodia has rejected a report according to which Lao troops have occupied territory in Cambodia's Stung Treng Province.

REAKSMEI KAMPUCHEA published reports saying that there had been such an occupation in Siem Pang District, and the local newspaper NEAT CHEAT NIYUM in its latest issue at the end of this week also reported that part of Stung Treng Province had been occupied by Lao forces since before 1993, soon after UNTAC [UN Transitional Authority in Cambodia] came to Cambodia. Now even Cambodian villagers living near the area occupied by Lao troops in Prey Kaoh Russei village in Siem Pang District cannot go near this place. This report also said that this area is rich in hard wood trees such as Kranhung, Thnung, and Beng, and also rich in wild animals. The villagers have complained that if they ventured into this area to collect resin, vine, and cane or hunt animals, they would be arrested by Lao troops, who would accuse them of illegally entering Lao territory.

Sumkhum Thasit, spokesman of the Lao Embassy in Phnom Penh, said that he does not believe that this story is true. He added that the two countries have long-standing relations.

Ieng Muli, information minister, stressed that the Cambodian Government has not yet received any confirmation on the accusation that Laos has trespassed on Cambodian territory...he only said that he is aware of this matter. If this is true, the Royal Government will hold talks to resolve this issue peacefully with the Lao side using the Paris agreement as the basis.

KR Radio Claims Ranariddh's Helicopter Shot

BK1801133395 (Clandestine) Radio of the Provisional Government of National Union and National Salvation of Cambodia in Cambodian 1200 GMT 18 Jan 95

[Report: "Ranariddh Comes Under Fire and Nearly Goes to Hell"]

[FBIS Translated Text] A fleet of Ranariddh's aircraft, made up of a small white helicopter and two large helicopters, was preparing to land at Phnum Kulen at 1130 today, 18 January. Waiting on the ground were thousands of people who were mobilized from Siem Reap. As the aircraft were landing, we fired several shots at the helicopter which carried Ranariddh. The three aircraft hastily took off and departed. The panic-stricken people on the ground ran into one another and in all directions. A few moments later, two fix-winged planes were sent in to drop a dozen bombs. Two other military helicopters, which attempted to pick up their men at Preah Ang Thom, also came under our fire at 1300. They took off, fired a few rockets and machine gun shots, and immediately left. At 1430 another plane was sent in to make a few strafing runs but was forced to retreat when it met with our return fire.

The masses said it was big fun watching crickets hit by the hunters' arrows. Others said it would be bigger fun when one day they would have fried crickets to chew while drinking palm whiskey in the early morning.

KR Claims Armed Groups To Liquidate Vietnamese

BK1701161395 (Clandestine) Radio of the Provisional Government of National Union and National Salvation of Cambodia in Cambodian 1200 GMT 17 Jan 95

[FBIS Translated Text] Phnom Penh residents are reportedly organizing armed groups to liquidate the Vietnamese in Cambodia. The people, like the masses in Phnom Penh, have clearly seen that the two-headed government has so far done nothing to solve the problem of Vietnamese in Cambodia. It has not tackled the issue before, even after the existence of an immigration law. All it has done is to legalize the status of the Vietnamese in Cambodia.

The number of the Vietnamese in Phnom Penh and along the Mekong, Tonle Sap, and Basak Rivers has increased incessantly. So the danger of Vietnam's swallowing of Cambodia, as faced Kampuchea Kraom, has become more and more obvious.

The people and students are of the opinion that armed groups should be organized to liquidate the Vietnamese, burn their houses, and destroy their boats. Cambodia has to be turned into a volcano where the Vietnamese can no longer live. Only with this measure can this nation be saved.

The students say that armed groups for crushing the Vietnamese have already been organized. They have already started their activities and liquidated the Vietnamese one after the other. The Vietnamese, male and female alike, are now terrified.

If the activities continue, the Vietnamese will certainly abandon their lairs because they can no longer stay on Cambodian soil.

KR Radio: Ex-FUNCINPEC Members To Demonstrate

BK1701115895 (Clandestine) Radio of the Provisional Government of National Union and National Salvation of Cambodia in Cambodian 1200 GMT 16 Jan 95

[Unattributed commentary: "Thousands of Jobless, Homeless, and Hungry Ex-FUNCINPEC Members and Soldiers Prepare To Stage a Demonstration Against the Regime of Communist Vietnamese Puppets"]

[FBIS Translated Text] The situation in Phnom Penh this month has become increasingly chaotic. Problems caused by the skyrocketing prices of rice and widespread unemployment and corruption have made the masses in Phnom Penh more seethingly furious at the regime of communist Vietnamese puppets Hun Sen and Chea Sim. Thousands of former FUNCINPEC [National United Front for an Independent, Neutral, Peaceful, and Cooperative Cambodia] members and former FUNCINPEC soldiers, who have been most seriously victimized, are preparing to stage a demonstration in Phnom Penh to demand the dissolution of communist Vietnamese puppets Hun Sen and Chea Sim's regime and the formation of a truly national government to solve the problems of starvation and widespread corruption.

These former FUNCINPEC members—some of whom were expelled by the communist Vietnamese puppets from the two-headed government while others were jobless, homeless persons who have had no rice to fill their pots for quite some time—were very active during the elections and were promised this or that work following the elections. However, after the elections and the victory of FUNCINPEC, the communist Vietnamese puppets continued to hold all the positions from top to bottom. As for FUNCINPEC members, they not only were left empty-handed but also became seriously victimized. They were either liquidated or purged by the communist Vietnamese puppets, such as Hun Sen, Chea Sim, and Sar Kheng. A large number of FUNCINPEC members have become drifters, unemployed, homeless, unable to find even some rice to fill their pots, and forced to eke out a most miserable existence.

These FUNCINPEC members have agreed that they must fight to survive; that they must fight to eliminate the regime of communist Vietnamese puppets Hun Sen and Chea Sim and form a national reconciliation government so that FUNCINPEC can have a real role.

These former FUNCINPEC members' plan to stage a demonstration against the arch-traitorous, arch-corrupt regime of the communist Vietnamese puppets and the Hun Sen-Chea Sim-Sar Kheng clique is receiving enthusiastic support from the students and masses in Phnom Penh. It is widely said that the nation-selling, nation-killing, and communist Vietnamese-lackey regime must be eliminated at all costs. This has frightened communist Vietnamese puppets Hun Sen, Chea Sim, and Sar Kheng.

They are packing up all the money and gold they have stolen from our nation and people in preparation for a hasty flight abroad.

Indonesia

Finnish President, Delegation Arrive for Visit

BK1801161295 Jakarta Radio Republik Indonesia Network in Indonesian 1500 GMT 18 Jan 95

[FBIS Translated Text] A special aircraft carrying Finnish President Martti Ahtisaari and delegation landed at Halimperdana Kusumah International Airport, Jakarta at 2105 West Indonesia Time [1405 GMT]. President Martti Ahtisaari was welcomed by Foreign Minister Ali Alatas, who represented the government; the Jakarta City governor; the Jakarta regional commander; and a number of military and civilian personnel. From the Halimperdana Kusumah International Airport, the state guest headed for the State Guest House in Jakarta.

Human Rights on Talks Agenda

LD1901100395 Helsinki Suomen Yleisradio Network in Finnish 0700 GMT 19 Jan 95

[FBIS Translated Text] Economic cooperation between Finland and Indonesia was uppermost when President Martti Ahtisaari began his state visit to Indonesia. President Ahtisaari also spoke of the dispute concerning control of East Timor which is souring relations between Indonesia and the Western world. Ahtisaari encouraged the Indonesian Government to seek a solution to the matter in the talks which are being held under the leadership of the UN secretary-general. The matter was discussed during the meeting between Ahtisaari and Indonesian President Suharto.

Foreign Minister Heikki Haavisto said that he proposed to the Indonesian foreign minister that Indonesia should permit human rights and humanitarian organizations to operate in East Timor.

In connection with the state visit, Finnish companies will sign two new trade agreements.

Suharto, Finnish President Hold Talks

BK1901074695 Jakarta Radio Republik Indonesia Network in Indonesian 0600 GMT 19 Jan 95

[FBIS Translated Text] Indonesia and Finland have agreed to increase the exchange of visits between government officials and businessmen from the two countries in an effort to boost bilateral economic ties and to improve the welfare of the peoples respectively.

Speaking to newsmen following private talks between President Suharto and Finnish President Martti Ahtisaari in Jakarta today, Minister/State Secretary Mardiono said that the exchange of visits also includes visits by Finnish tourists to Indonesia.

On South-South cooperation and North-South cooperation, Minister Mardiono said Indonesia hoped that Finland would participate in the growth triangle development projects. Touching on regional affairs, the Finnish president explained in detail about developments in Europe and Finland's membership of the European Community.

Discussing international affairs, Minister Mardiono said, the two leaders talked mostly about the World Trade Organization (WTO), UNICEF, and the restructuring and revitalizing of the UN Security Council.

[Begin Mardiono recording] Speaking on bilateral issues, Indonesia explained to the Finnish president about its stance on the East Timor problem and human rights issues. The government reiterated that the integration of East Timor with the Republic of Indonesia was done with the objective of respecting the basic rights of the East Timor people, who had expressed their wish to be integrated with Indonesia.

Actually, despite hundreds of years under Portuguese rule, the East Timor people were never given the opportunity to express their wishes. [end recording]

Responding to questions from journalists, Minister Mardiono also said that Finland had expressed great appreciation for Indonesia's role as the chairman of the Nonaligned Movement.

Only Korean Investors Transferring Technology

BK1601133095 Jakarta SUARA PEMBARUAN in Indonesian 15 Jan 95 p 2

[FBIS Translated Excerpt] Jakarta, 15 January—Technological gaps should be eliminated though Indonesia has the capability to attract foreign investors. Speaking at a seminar on the liberalization and restructuring of the 1995/96 State Budget entitled Strategic Adaptation by the Business Community in Jakarta on Saturday, Hadi Susastro, executive director of CSIS [Center for Strategic and International Studies] said: "The reason foreigners invest in a particular country is not because of cheap labor. Rather, they are more interested in the country's market potential and technological expertise."

He explained that presently only the Koreans are transferring technology to the countries they have investments in. However, there was a possibility that other developed countries might also do this.

According to him, Indonesia should anticipate this because could affect medium or long-term foreign investments.

He reminded that the major problem in attracting foreign investments is in trying to maintain a constant inflow of investments that amounted to at least U.S.\$9 billion annually and to make efforts to raise it by a further 50 percent.

There has been a sharp rise in foreign investments in Indonesia. In 1985 and 1986, the an annual average of approved investments stood at only U.S.\$0.85 billion. However, from 1987-1994, foreign investments rose to U.S.\$70.3 billion, or U.S.\$8.8 billion annually. This is a 10-fold increase.

Foreign investments in 1994 reached a record high at U.S.\$23.7 billion. The total value of foreign investments as of 15 December 1994 was U.S.\$92.4 billion. He said: "This means that three-quarters of that amount had been attained in only eight months."

He added that 35.6 percent of the approved foreign investments or U.S.\$33.3 billion have been realized as of 15 December 1994, and 30 percent of it had been made over the last two years.

Also, he says the annual target of U.S.\$9 billion in foreign investments could be realized based on facts gathered through numerous surveys conducted by international bodies. [passage omitted]

Editorial Echoes Assurances on Devaluation Rumor

BK1801160795 Jakarta SUARA PEMBARUAN in Indonesian 16 Jan 95 p 2

[Editorial: "Crushing the Devaluation Rumor"]

[FBIS Translated Text] The spread of the rumor on the devaluation of the rupiah currency last week caused fear of an economic crisis similar to what happened in Mexico. It has been implicitly refuted by at least two monetary authorities.

Finance Minister Mar'ie Mohammad stated repeatedly late last week that the government never intended to devalue the currency. He stated this to journalists after attending the Tariffs and Fiscal Team meeting at the Department of Industries in Jakarta on 13 January. We must not talk about devaluation, Mar'ie said, adding that we should not compare our situation with that of Mexico, which has devaluated its peso due to the problems in its balance of payments.

The finance minister further affirmed that the devaluation rumor is unfounded and said we must disregard it. He said this while addressing a seminar on "State Revenue and 1995-1996 Budget, Liberalization and Restructuring, and Adaptation of Business Strategy" on 14 January. The minister firmly reminded us that Indonesia's economy is safe despite its heating up. He said that the monetary authority is to ensure that our macro-economy remains sound and able to stimulate growth in line with the projected targets. The minister challenged speculators, saying that he would come up with the U.S. dollars they wanted to purchase, no matter how big the amount is.

It seems that the government is not only refuting the devaluation rumor by making statements but also taking

concrete actions to crush it. J. Sudrajat, governor of the Bank of Indonesia [central bank], said on 14 January that the central bank had intervened by selling U.S. \$500 million to the stock market during the week with the hope of eradicating the devaluation rumor. The Bank of Indonesia, which normally closes during the weekends, stayed open on 14 January to allow foreign exchange transactions, and on that very day the bank sold U.S. \$140 million or 322 billion rupiah. The governor said that the big transaction was due to the speculative attitude of foreign fund owners and that this had affected the domestic business circles.

Obviously, the speculative attitude was triggered by the Mexican economic crisis following the deficit in its current account transaction balance of payments, which hit 8 percent of its GDP. Indonesia's deficit is only 2 percent of the GDP. When the current account deficit balance reached U.S. \$2.2 billion in 1994, stock holders, especially foreign fund managers, rushed out to hunt for foreign exchange in preparation for a devaluation.

The deficit in the balance of payments, however, is not a cause for devaluation if we emerge from this situation within a short period. It is only possible to devalue the currency if the deficit turns into what the International Monetary Fund [preceding three words in English] lexicon calls a fundamental imbalance. The IMF Convention's Article IV provides that a member country can only propose change in its monetary parity rate as a correction to a balance of payments which is fundamentally imbalanced. The IMF will consent to the change in the exchange rate if it deems it necessary. Until now, the IMF has positively appraised Indonesia's economic performance. Therefore, it is not likely that any drastic measures will be applied to our currency.

The current account deficit balance was higher in 1994 than in 1993. This was caused mainly by slackening export growth and a steep increase in imports, apart from the increasing cost of foreign services. Other factors that triggered the spread of the devaluation rumor were inflation, which hit 8.24 percent in 1994, and Indonesia's foreign loans, which reached the psychologically affecting amount of U.S.\$100 billion, including the government's share of \$55.6 billion.

As stated by the Bank of Indonesia governor, we consider Indonesia's economy to be on the safe side. This is so because we still have the committed loan of 2 billion U.S. dollars, foreign exchange reserve of U.S. \$13.7 billion, which can finance five months of imports, and the development fund reserve of 1.7 trillion rupiah.

Devaluation has to be avoided to the extent possible. Although such a measure will benefit exports and harness imports, its impact on the national economy is unfavorable if the target is not met. All of us are interested in seeing the value of the rupiah remain stable. Drastic devaluation measure would erode the people's confidence in the rupiah, and it would eventually affect the people's saving habits. The rate of saving is an

important factor in an effort to increase investment and to accumulate funds for development projects. Thus the spread of the devaluation rumor must be stopped as soon as possible, before it becomes widespread, so that speculative trends can be controlled.

*** Tax Breaks Announced for Investments in East**

95SE0062B Jakarta *BISNIS INDONESIA* in
Indonesian 30 Nov 94 p 1

[FBIS Translated Text] Jakarta (BISNIS)—With Government Regulation (PP) No. 34/1994, the government has finally issued a tax incentive package for investments in isolated areas, certain sectors, the IMT [Indonesia, Malaysia, Thailand] Growth Triangle, SIJORI [Singapore, Johor, and Riau], and BIMP-EAGA [Brunei Darussalam, Indonesia, Malaysia, and the Philippines/East ASEAN Growth Area].

Richard P. Napitupulu, deputy chairman of the Capital Investment Coordination Board (BKPM), said that PP No. 34/1994 is a step forward in encouraging investment in isolated areas, including the Eastern Region of Indonesia [KTI].

"These tax incentives will encourage investment in isolated areas such as the KTI."

Napitupulu spoke to *BISNIS* yesterday with comments on the issuance of PP No. 34/1994 on 16 November. He said the PP, which goes into effect on 1 January 1995, takes advantage of the tax law just passed by the DPR [Parliament].

Scheme for Accelerated Depreciation and Amortization

(According to PP No. 34/1994)

Asset Group	Term of Benefits	Rate of Depreciation and Amortization by Method:	
		Linear	Declining Balance
I. Other than buildings or tangible property			
Group 1	2 years	50%	100%
Group 2	4 years	25%	50%
Group 3	8 years	12.5%	50%
Group 4	10 years	10%	20%
II. Buildings			
Permanent	10 years	10%	
Nonpermanent	5 years	20%	

Napitupulu said that besides improving attractiveness for investments in the KTI and other backward areas, PP No. 34/1994 also seeks to spur growth in the economic triangles that have been created, namely IMT, SIJORI, and BIMP-EAGA.

"According to Article 3 of PP No. 34/1994, tax incentives are provided for investments in the context of

cooperation with other countries, such as in the case of IMT, SIJORI, and BIMP-EAGA. Other areas must be specified by presidential decree."

According to Article 1a of PP No. 34/1994, "certain business sectors" are business sectors, including estates and mining, that have high priority on a national scale, especially in the context of improving exports.

Article 1b says "isolated areas" are areas that have economic potential feasible for development but lack an adequate economic infrastructure. Included in the term "isolated areas" are offshore areas with oil and natural gas reserves and depths of more than 50 meters.

Tax facilities, as provided in Article 2, paragraph 2, consist of accelerated depreciation and amortization, a maximum of 10 years for compensation for losses, and reduction of income taxes on profit balances remaining after payment of income taxes imposed by Law No. 10/1994.

Philippines

Police Link Threat to Pope, WTC Suspect

BK1901023195 *Quezon City GMA-7 Radio-Television Arts Network* in *Tagalog* 2230 GMT 18 Jan 95

[FBIS Translated Text] The hunt for terrorists behind the assassination plot for Pope John Paul II continues. Matty Pulido has the details:

[Begin Pulido recording] The PNP [Philippine National Police] launched a widespread manhunt for three terrorists who plotted to assassinate the pope.

[Department of Interior and Local Government Secretary Raphael Alunan III, in English] Everybody is on the lookout. Everybody is certainly on the alert, and it is about every person involved in this. Actually, I am optimistic that sooner or later these guys are going to fall.

[Pulido] The police learned that the assassination plot for the pope is serious, based on documents gathered after the raid on Josefa Apartment in Malate.

[Unidentified police official, in English] The document analysis resulted to some findings: number one, that there was a serious terrorist plot; number two, that at least three suspects are identified.

[Pulido] According to the list sent by the Vatican to the BID [Bureau of Immigration and Deportation], there are 109 terrorists in the country. The leader of the network that has 23 members is identified as Abdul Mahmood a.k.a. Ramzi Yousef. Mahmood is also being hunted by the United States in connection with the bombings of the World Trade Center in New York. The police found five bombs after the raid. How these are made is probably the basis for the theory that Mahmood is one of the terrorists.

[PNP Chief Director General Recarido Sarmiento, in English] Some of the suspects are also involved in the New York City bombings. That is our belief, that some suspects in the New York World Trade Center bombing were that... [pause] are connected.

[Pulido] Even though the pope had already gone, the danger is still here.

[Alunan, in English] Now that the pope is gone, we believe that the threat remains for as long as there are people out there using the Philippines as a playground for their terrorist tactics.

[Pulido] According to the authorities, they will not stop the manhunt until the terrorists have been arrested or left the country. [end recording]

The PNP leadership confirmed that terrorist Ramzi Ahmed Yousef, also known as Abdul Basit Mahmood Abdul Karim, is in the country. Here is the report:

[Begin Alex Tinsay recording] PNP Chief Director General Recarido Sarmiento personally confirmed the report that the international terrorist Ahmed Yousef is in the Philippines. He said that Yousef was seen with his Filipino girlfriend identified as Carol Santiago. Yousef, who is blind in his right eye, is hiding behind several aliases, including Dr. Richard Smith and Dr. Paul Vijay. He is on the FBI 10 most wanted list in the United States. Yousef is hunted by the FBI as the suspected mastermind of the World Trade Center bombing in New York in February 1993 where six people died. Yousef was able to enter the country with a 15-man assassination team targeting the visiting Pope John Paul II. The FBI has allocated \$2 million for the arrest of Yousef. [end recording]

Detained Vietnamese Fishermen To Be Released

BK1901074395 Quezon City Radio Filipinas in English 0230 GMT 19 Jan 95

[FBIS Transcribed Text] Manila has agreed to release 17 Vietnamese fishermen arrested last October for allegedly poaching in Philippine waters, but will hold their boats. This was announced by the Foreign Department. Foreign Undersecretary Rodolfo Severino said the National Committee on Illegal Entrants, or NCIE, recommended the release of the fishermen because they were found not to have done any wrongdoing.

The 17 fishermen, aged 17 to 50, were on two vessels when they were arrested by the Philippine Navy off the southwestern island of Palawan, where they are now under the custody of the Coast Guard there.

Hanoi sought the release of the Vietnamese through diplomatic channels last month, saying the fishermen were driven by sea currents to the area where they were apprehended. The Vietnamese Embassy also sought the release of the boats and their request is under review.

The NCIE, or the National Committee on Illegal Entrants, also recommended that the fines imposed on the fishermen be waived.

Liberalized Land Leasing Takes Effect

BK1901083095 Manila BUSINESS WORLD in English 16 Jan 95 pp 1, 8

[Report by Margarita H. Debuque]

[FBIS Transcribed Text] Foreigners can now lease certain lands in the Philippines for as long as 75 years. The Board of Investments (BoI) announced that the Investors' Lease Act, which liberalized the country's land lease laws, is now "in full force and effect."

In the old law, foreigners were allowed to lease land up to 25 years, with the lease renewable for another 25 years. The new law, in contrast, allows foreigners to lease land for industrial and agricultural use for 50 years straight, and to renew the lease by 25 years more.

The BoI said foreign investors can now lease private agricultural lands for the maximum 75-year lease period specifically for: industrial estates; factories, assembly, or processing plants; land development for industrial and commercial use; agro-industrial enterprises; tourism projects with investments of at least \$5 million; priority investment projects such as identified by the Investment Priorities Plan of the BoI; projects in areas controlled by the Export Processing Zone Authority, Philippine Veterans Investment Development Corp. (Phividec), and those under the Bases Conversion Development Authority (Basecon), Subic Bay Metropolitan Authority (SBMA), and Clark Development Corp. (CDC).

The guidelines state that all private agricultural lands covered by the Comprehensive Agrarian Reform Law (CARL or Republic Act 6657) will not qualify for long-term lease.

All private agricultural lands approved for conversion for nonagricultural purposes and areas classified as non-agricultural prior to 15 June 1988 by the Department of Agrarian Reform (DAR), however, will be qualified for long-term lease.

Foreign investors with lease agreements made under the old law are given the option to follow the new law provided that the total lease period will not exceed 75 years.

The new law authorized the secretary of the Department of Trade and Industry (DTI), through the BoI, to process and approve applications for long-term lease contracts. The Basecon, SBMA, and CDC have also been deputized to evaluate land applications following set guidelines.

With more liberal lease laws in place, the BoI can now aggressively pursue development of agricultural export processing zones in the country. The agency anticipates foreign interest in local agriculture will rise because of the new law.

The Bol is already discussing with foreign investors agribusiness ventures in rubber, palm oil, vegetable farming, and aquaculture. Most investors have eyed Mindanao as site for rubber and palm oil plantations, and the Ilocos Region for vegetable farms and aquaculture enterprises.

Thailand

Air Travelers To U.S., ROK Face Stricter Checks

BK1901132295 Bangkok Radio Thailand Network in Thai 1200 GMT 19 Jan 95

[FBIS Translated Text] According to Thai Airways International [THAI], THAI and the Airport Authority of Thailand have set more stringent security measures to check hand-carried luggage of passengers on THAI international flights, particularly on flights to the ROK and the United States. This is in response to the notice from the U.S. Federal Aviation Administration, or FAA, concerning bomb threats against various airlines. Passengers on international flights are advised to limit themselves to only one hand-carried bag and avoid carrying articles that are not theirs or inflammable materials such as aerosol spray. Luggage checks at Kimpo Airport, Korea, are especially strict. These stringent measures are expected to continue indefinitely.

Foreign Minister Departs for Burma 18 Jan

BK1801132795 Bangkok Voice of Free Asia in Thai 1030 GMT 18 Jan 95

[FBIS Translated Text] Foreign Minister Police Lieutenant Colonel Thaksin Chinnawat left today for an official visit to Burma on assuming his new post as Thailand's foreign minister. He arrived at Rangoon airport at about 1530 and was welcomed by the Burmese foreign minister, U Ohn Gyaw.

The foreign minister is scheduled to hold an official consultation with his Burmese counterpart at 1800. His Excellency U Ohn Gyaw tonight will host a dinner in honor of the Thai foreign minister and his delegation.

Tomorrow, the foreign minister is scheduled to visit Shwedagon and to call on Senior General Than Shwe, chairman of the State Law and Order Restoration Council, or SLORC. The vice chairman of SLORC, Gen Maung Aye; Secretary-1 of SLORC Lieutenant General Khin Nyunt; and Secretary-2 of SLORC Lieutenant General Tin U also will be present at the meeting.

Foreign Minister Thaksin will return to Thailand by an Air Force flight at 1800 tomorrow.

Protesting Burmese Students Lose Sanctuary

BK1901042895 Bangkok THE NATION in English 19 Jan 95 p A2

[Report by Yindi Loetcharoenchok]

[FBIS Transcribed Text] A group of 78 Burmese students have "abandoned their right" to sanctuary in Thailand by refusing to return to a government-run camp in Rat Buri province after a riot on Monday night, a senior Interior Ministry official said yesterday.

Thirteen members of the group will have to stand trial on illegal entry charges and will then be transferred to a detention centre at the Bang Khen Police Privates School in Bangkok, where their friends are.

The decision to take the legal action against the students was reached yesterday after authorities at the Maniloi camp in Rat Buri said they had tried in vain to persuade the students to return to the so-called "safe area", the camp in Pak Tho district set up by the government last year to accommodate exiled Burmese students who had registered for temporary asylum here with the Interior Ministry.

On Tuesday, about 150 students marched out of the camp in protest at violent clashes the previous night between camp residents and security guards in which three students, a camp guard and the Maniloi camp chief were injured.

The students demanded that the camp be closed down, that they be allowed to stay in Bangkok and not be repatriated to Burma against their will.

After the intervention of Rat Buri Deputy Governor Prasong Withunkitcha, 72 students agreed to return to their camp on Tuesday night but the rest of the group refused to back down on their demands, claiming that the camp was unsafe.

In an interview with THE NATION yesterday, a senior Interior Ministry official said that the ministry had decided to prosecute the students because they "have abandoned their right to stay temporarily in Thailand".

"They sneaked out of the camp and refused to return, so they have disqualified themselves from any rights they had to stay in Thailand on a temporary basis," the official said.

"The (Thai) authorities will have to prosecute them for violating our immigration laws. But, we'll do this smoothly without using force."

The official said the group would now be considered as "illegal immigrants" and will be detained at Bang Khen Police Privates School, instead of the Immigration Detention Centre in Soi Suan Phlu which has become overcrowded.

Another government official said the 13 students have never before faced charges of illegal entry so they will have to stand trial first before joining their colleagues at the Bang Khen detention centre.

However, the official said the group would not be repatriated since the government has no policy of sending registered students back to Burma against their will.

The students will not have the same freedom of movement that they enjoyed at the Rat Buri camp, but they will still be allowed to receive visitors while in detention.

Thai officials could not say when the group will be transferred from Rat Buri to Bangkok but said that the provincial authorities have the right to start legal proceedings right away.

The group has been split up and is being held in three separate locations in Rat Buri—the Pak Tho and Wat Pleng police stations and at the Rat Buri provincial hall.

Meanwhile, a group of students held a meeting in Bangkok yesterday with officials from the United Nations High Commission for Refugees (UNHCR) during which they complained that “the authorities have tortured and put pressure on innocent students since the first day” they arrived at the camp.

The students complained that the clashes on Monday night were “initiated” by camp authorities “led by the safe area security commander,” and that some students decided to leave the camp and go to Bangkok “to escape torture”.

They claim that they were “obstructed and unjustly arrested” while attempting to march on the capital but Thai officials say they intend to investigate what caused Monday’s riot because they suspect that the students provoked the clash to pressure the government into closing down the camp.

The row broke out around 11 pm on Monday when a group of students refused to put out a fire they had lit in the TV hall to keep themselves warm.

In the ensuing melee the students reportedly used abusive language and impolite gestures but reports indicate that the camp authorities were the first to use physical force when a guard slapped the face of one student.

New ‘Terrorist Movement’ Claims 100,000 Members

*BK1901060795 Bangkok THE NATION in English
19 Jan 95 p A2*

[Report by Manit Siwayawiroit]

[FBIS Transcribed Text] A leader of a new Muslim terrorist movement has claimed his group is establishing an enormous network of members and sympathizers in Thailand through a lucrative membership-card scheme. The Barisan Nationale Baru (BNB) has issued membership cards to more than 100,000 youths in southern Thailand, according to Hayi Basri Bin Dahari, BNB second-in-command.

He recently met a group of Thais led by Democrat MP Thanin Chaisamut who sought Basri’s help in Kuala Lumpur for the handover of a Thai suspect wanted in connection with the explosion on the Hat Yai railway early this month.

Basri claimed all members suffered “ideological conflicts where they came from”, but other sources have disputed this, saying the membership cards were much sought after because they “facilitate” young Thais ability to stay in Malaysia where they work on plantations or in factories.

Basri claimed that 90 per cent of the young Thais working in Malaysia had BNB cards. Some were sent to the Middle East to receive “training” in “political and diplomatic strategies”.

On his return to Thailand, Thanin described the BNB as a “critical security threat” as its members include young people from the southernmost provinces of Pattani, Yala and Narathiwat.

Satun MP Thanin, a member of staff assigned by Interior Minister Sanan Khachonprasat to help gather information relating to southern separatist movements, said he would push the BNB issue into Parliament’s agenda when it reconvenes.

The Democrat MP led Thai police to Malaysia to track down Sukrinai Bilanglot, one of three suspects charged with involvement in the “premature” explosion in Hat Yai early this month which killed two suspected saboteurs.

There had been reports that Basri was sheltering Sukrinai, who owned a Satun house where the two men killed in the bomb explosion had stayed.

Thanin’s team found Sukrinai, who later agreed to turn himself up to Thai authorities and has been released on bail.

Thanin said the new separatist movement recruited its members in two ways: persuading southern youths to undergo training, with some being sent to Syria and providing its members with “four-year membership cards” ensuring their security while they work in Malaysia.

The movement collects [Thai baht] Bt500 a card from female members, and Bt200 from males.

Thanin said Mahammat Bilanglot, Sukrinai’s older brother, was also a member of the movement and had received training in a Middle East country.

Mahammat is now hiding in Malacca and is expected to flee to Indonesia soon. Thanin said Mahammat was allegedly involved in giving saboteurs “a seven-digit pay check” to plant bombs in the southern provinces.

Thanin said Sukrinai has admitted to police that his brother Mahammat was planning to participate in further “sabotage” in the southern provinces for his own interests.

Mahammat wanted some “high-level officials” in the Pattani United Liberation Organization (PULO) to contact the BNB to promote him to a higher position in the

new movement. Mahammat's involvement in the recent bomb explosion in Hat Yat was an attempt to show BNB he was a capable man who could successfully destabilize southern parts of the country.

Sukrinai also told the police that Mahammat was now trying to recruit Satun youths to join the new movement.

Taiwan Official Discusses Investment Prospects

BK1701141795 Bangkok XING XIAN RIBAO in Chinese 13 Jan 95 p 9

[FBIS Translated Text] According to Cheng Fusheng, secretary of the Taipei Economic and Trade Office in Bangkok, investment from Taiwan will remain stable to keep pace with Thailand's economic growth.

There may be a change in the types of investment. More big Taiwanese companies will enter the Thai market.

According to a report by the Board of Investment, Taiwan's total investment in Thailand from 1986 to September of 1994 was recorded at \$4.85 billion, making Taiwan the fourth largest foreign investor in Thailand. In 1989, Taiwan was recorded as the biggest foreign investor in Thailand.

According to an information official of the office, increasing labor costs, expensive land prices, and the traffic problem in Bangkok have had an impact on foreign investors. Taiwan investors also feel depressed due to the absence of double taxation avoidance and investment protection agreements.

A draft agreement on investment protection was signed in November last year. Another round of negotiations for a double taxation avoidance agreement will be held in mid-1995.

Taiwanese investors have changed their investment pattern during the past three years.

Mr. Cheng said "Taiwan investment began to flow into Thailand in 1987 because of increasing labor costs in Taiwan." He added that "most of that investment was in labor-intensive industries, mostly medium- and small-sized industries."

He said that investment poured into textile, garment, sporting goods, toys, and agro-business.

However, the investment situation has changed from that of three years ago. Now, more big companies have come to seek investment opportunities in Thailand. Investment interests are turning to capital and technological-incentive industries, such as electronics.

Cabinet Approves Structure for WTO Representation

BK1801125095 Bangkok PHUCHATKAN in Thai 18 Jan 95 p 4

[FBIS Translated Text] The cabinet on 17 January approved the proposal by the International Economic

Policy Office on Thailand's representation to the World Trade Organization [WTO]. According to the proposal, the mission will be placed under the jurisdiction of the Commerce Ministry, and amendments will be made to the 1966 regulations of Prime Minister's Office on overseas postings of government officials. The head of the permanent representation to the WTO can be chosen from any ministry, whereas his deputy must be a Foreign Ministry official.

The cabinet approved the appointment of Mr Danai Dulalampha as head of the Thai representation at the world trade body, as proposed by the commerce minister. The Civil Service Commission has been assigned to determine the rank and pay for this position based on the income of highly qualified people in the private sector.

The head of the WTO representation will report on the policies, measures, and trends adopted at the WTO directly to the International Policy Committee.

The Commerce Ministry is to be given the full cooperation of the ministries concerned, in case it wishes to borrow officials knowledgeable in economics and trade negotiations for postings to the WTO mission. This to enhance the capability and strengthen the position of the Thai representation.

The chairman of the International Economic Policy Committee will create a network to coordinate the agencies concerned and the private sector in matters related to Thailand's guidelines, policies, and positions at the world trade body. This includes the adoption of lines of authority, supervision, and the monitoring of officials dealing with the WTO.

The cabinet on the same day also appointed a committee to be in charge of policies concerning economic and technical cooperation with foreign countries. Among the committee's responsibilities include approving cooperation plans, overseeing cooperation exchanges, finding solutions to problems that may arise, and making regular reports to the minister. The committee comprises a chairman, who is the foreign minister; vice chairman, who is a minister attached to the Prime Minister's Office; and members who are the permanent secretaries of the Foreign, Finance, Commerce Ministries, and the Prime Minister's Office, the secretary general of the National Economic and Social Development Board, secretaries to the Civil Service Commission, the National Security Council, the Board of Investment, the Budget Bureau, and the Department of Economic and Technical Cooperation. It will also have representatives from the three following private sector institutions—the Federation of Thai Industries, the Board of Trade, and the Thai Bankers Association. The director general of the Economics Department of the Foreign Ministry will serve as the secretary and member of the committee.

Cabinet Agrees To Cut Tariffs on ASEAN Products

BK1901080595 Bangkok Radio Thailand Network in English 0000 GMT 19 Jan 95

[FBIS Transcribed Text] Thailand plans to reduce import tariffs on goods produced under the ASEAN [Association of Southeast Asian Nations] joint-venture projects.

The Cabinet this week approved the Ministry of Finance's draft announcement to reduce import tariffs on ASEAN products in order to promote investment and trade relations among the six ASEAN countries.

According to the draft, import tariffs on some food products will be reduced to 10 percent. They include sugar-coated chocolate candy, cereal, instant soup, and powdered soybean milk. All eligible items must bear certificates of origin from ASEAN member country with ASEAN investment joint venture, or AIJV, scheme label distinctively shown. Also, certificates of eligibility are required to show that the products are made under the AIJV scheme.

Meanwhile, the Cabinet approved the Ministry of Commerce's proposal to lift export and import restrictions under the boycott against Haiti in according with the United Nations Security Council Resolution 944 as proposed by the Ministry of Foreign Affairs from 15 October 1994 onward.

Budget Bureau Overrules Navy on Sub Purchase

BK1901070995 Bangkok THE NATION in English 19 Jan 95 p A3

["News Desk" report: "Maritime Security Debate Over Navy's Call For Subs"]

[FBIS Transcribed Text] The Navy proposal calling for the commissioning of two submarines worth [Thai baht] Bt17 billion has stirred up debate as to whether the security situation warranted the expensive purchase.

The Navy, backed by the Defence Council which includes the military top brass from all armed forces, says the purchase is necessary now that Burma poses a maritime security threat.

But the Budget Bureau has given the thumbs down to the proposed acquisition, saying taxpayers' money should be spent on more useful projects, like rural development.

Budget Bureau chief Bodi Chunnanon said on Tuesday that the Navy should have submitted a "more useful" project for consideration.

"The government doesn't seem to have any problem approving other projects proposed by the armed forces but I think the Cabinet is only interested in considering projects that are more useful than this submarine proposal," Bodi said.

The proposed Bt17 billion purchase would be solely for the submarines and would not include the weapons to be mounted on them. That means the country would have to spend even more for the weapons if the purchase is approved by the government.

During the past year, the armed forces have assessed the security situation in the region and determined Burma to be a security threat to Thailand, especially by way of the Andaman Sea.

The armed forces sees Burma as a threat now that Rangoon has received military assistance from China and thus has boosted its maritime military might.

The Thai armed forces have learnt that Burma received six Hainan warships from China and three warships from the Eastern European bloc last year. The Thai armed forces have also learnt that Burma plans to expand its maritime military might much more.

This was cited by the Navy as the main reason for pushing for the acquisition of the two submarines.

Deputy Navy Chief of Staff Vice Adm Winai Intharasombat said the proposed two submarines would be effective in maintaining maritime security because any intruders would need several warships to attack and destroy a submarine.

Opponents of the purchase have said Thailand's shallow seas are not suitable for using submarines.

But Winai argued that the proposed submarines are medium-size 1,400-tonne ships and could be used in Thailand's seas. The Navy plans to commission one in the Andaman Sea and the other in the Gulf of Thailand, according to Winai.

It would not be the first time that Thailand would have submarines if the Cabinet approves the purchase. In 1938, Thailand had four small submarines made in Japan by Mitsubishi. The submarines were decommissioned in 1951 because the Navy did not have a large enough budget for their maintenance.

Since the purchase has been approved by the Defence Council, it was regarded that the Navy had won backing from the other armed forces. But the project had been put on hold for several months by the Defence Ministry before forwarding it on to the Budget Bureau, which would in turn pass it to the Cabinet for final approval.

The fact that the project had been delayed for months at the Defence Ministry was seen as a sign of disapproval by Defence Minister Gen Wichit Sukmak, and may reflect the final decision of the government.

Wichit also indicated his disapproval of the purchase by expressing his agreement with the International Monetary Fund's statement that developing countries should not spend huge amounts on arms purchases.

The project suffered another setback with the Budget Bureau's disapproval which put the proposal on hold for further consideration by other government agencies. The military expected the bureau to forward the project to the Cabinet for Tuesday's meeting.

Despite the setback, Navy Commander in Chief Adm Prachet Siridet vowed to push for the project until the last minute. He said he was still confident that the Cabinet would eventually approve the acquisition "because there's no reason why it (the Cabinet) should reject it".

It has yet to be seen whether the possible rejection of the purchase by the government would sour relations between the armed forces and the administration.

The administration has already pleased the Navy substantially by approving several arms deals during the past two years, including the purchase of a fleet of Harrier jump jets and six Chinese frigates. The government has also approved the purchase of eleven M-60 tanks for the Marine Corps.

The Navy has also won approval to lease a US frigate, which will be decommissioned from the US Navy, at an annual cost of Bt6 million for five years. The frigate will be owned by the Navy after the fifth year.

As a result, military observers say, the government would be able to control the situation if it says no to the submarine purchase.

During the past two years, the government has shown that it can control dissatisfaction by the top brass when the Cabinet delayed several arms deals and forced the armed forces to pay for their weapons by counter-trade deals.

Balanced Budget Planned for 1995-96 Fiscal Year

*BK1901052195 Bangkok THE NATION in English
19 Jan 95 p A2*

[Report by Srachai Chupakka]

[FBIS Transcribed Text] The national budget for the fiscal year 1995-96 will be balanced for the third consecutive year with planned expenditure of [Thai baht] Bt832 billion, up 16.4 per cent on this year, Finance Minister Tharin Nimmanhemmin announced yesterday.

Tharin said the revenue target was up 17 per cent, but the tax rate would be unchanged.

Estimated investment expenditure would rise to 37.3 per cent of the total, compared with 35.7 per cent in 1994-95, he said.

The government was able to increase the investment budget because there was no longer a major salaries expenditure burden. In the last budget, more than Bt30 billion was spent on salary increases for government employees.

Finance Minister Tharin said the budget outline, for the year beginning Oct 1, 1995, had been agreed to in principle by his ministry, the Bank of Thailand, the Budget Bureau and the National Economic and Social Development Board.

The 1995-96 budget would help maintain fiscal and monetary stability while promoting continued economic growth, projected to be 8.8 per cent this year.

Budget revenue would match planned expenditure, he said. The first objective of the budget was to further the development of infrastructure to enhance national development. It was still necessary for the government to inject more funds into this sector, he said. The second objective was to promote the development of human resources; the third to upgrade the quality of life in rural areas; and the fourth to provide subsidies to local governments under the policy of fiscal power decentralization.

Total government investment expenditure would be about Bt310 billion.

MR Chatumonkhon Sonakun, director-general of the Revenue Department, said the agency would have to increase the revenue target by 17 per cent to a total of Bt500 billion. The target was about four per cent higher than the projected growth in national income of 13 per cent.

He was optimistic that his department would achieve the figure, as long as the Finance Ministry granted it an adequate budget to enable it to work efficiently.

The budget for computers was very important, he said, noting that the department now had a total staff of 16,000, but there were less than 2,000 computer terminals.

The proposed budget will be considered by the Cabinet next month.

Vietnam

Government Rejects Book's Claims on POW's

*BK1901134995 Hong Kong AFP in English 1142 GMT
19 Jan 95*

[FBIS Transcribed Text] HANOI, Jan 19 (AFP)—Vietnam has lashed out at claims that hundreds of US prisoners of war were tortured and killed in Vietnam, dismissing them as "fabrication" aimed at derailing the fledgling ties between Hanoi and Washington. The angry denial comes as the two governments prepare to establish their first diplomatic links in 31 years, and follows the allegations made in a US-published book and picked up in the western press Thursday.

"This is a fabrication. We are authorised to completely reject it," Foreign Ministry spokeswoman Ho The Lan said, citing the claim that "hundreds of US prisoners of war were tortured to death or killed between 1966 and

1972. It is not the first time that when there is positive progress in relations between the two countries that audacious publications are made with ill intentions to obstruct the process of normalisation of relations between the two countries," she told journalists at a briefing.

The allegations were reportedly made in the book "Inside Hanoi's Secret Archives: Solving the MIA Mystery," which is based on research by a former consultant to the US Defence Intelligence Agency.

Lan added that Vietnam and the United States hoped to open liaison offices in each other's capitals "before the beginning of February." She said the two countries were discussing the "last technical details" of the move, including the signing of agreements on diplomatic properties and commercial property claims. She said the announcement would be made public in "due course."

The two countries in December initialed an agreement on US diplomatic properties seized after 1975, bringing the former enemies a step closer to a long-delayed exchange of liaison offices. The State Department had insisted that the issue of property be resolved before the two sides could implement an agreement reached in May to exchange liaison offices in what would be a first step towards normal diplomatic relations. The opening of the offices has been expected since US President Bill Clinton lifted the trade embargo on Vietnam last February.

Buddhist Monk Leader Held for Public Disorder

BK1901131095 Hong Kong AFP in English 1132 GMT 19 Jan 95

[Report by Marc Lavine]

[FBIS Transcribed Text] HANOI, Jan 19 (AFP)—Senior US congressmen Thursday expressed "deep concern" over the arrest of two top Vietnamese Buddhist monks, warning Vietnam's leaders that the detentions could affect ties with Washington. But Vietnam denied that Thich Huyen Quang, leader of the dissident Unified Buddhist Church of Vietnam (UBCV), had been put under house arrest, saying he had simply been asked by other monks and nuns to move pagodas.

A foreign ministry spokeswoman however confirmed that the church's second-ranking monk, Thich Quang Do, was being "temporarily held" by Ho Chi Minh City prosecutors, accused of involvement in "violating public order."

Earlier Thursday, Benjamin Gilman, the new chairman of the House committee on international relations, and James Leach, head of the committee on banking, warned of the dangers of the reported detentions of the pair in a letter to Vietnamese premier Vo Van Kiet.

"We are writing to express our deep concern at the detention of Venerable Thich Huyen Quang and Venerable Thich Quang Do," the letter received by AFP said.

"As you know, the detention of persons for peaceful protest or religious expression violates international law," the letter to Kiet said. "We view the Socialist Republic of Vietnam's actions against the Buddhists with serious concern and believe that these detentions will not have a positive affect on developing relations between our two countries," it added.

The strong protest follows the reported arrests and detention of Quang, 77, on December 29 and of Do on January 4.

Human Rights Watch/Asia reported last week that Quang was arrested at his Hoi Phuoc Pagoda, near the central city of Quang Ngai, after launching a hunger strike to protest the detention of five devotees and the tightening of a security cordon around his pagoda.

It said Quang, who reportedly suffers from high blood pressure, was being held in a remote mountain temple in Nghia Hahn district, Quang Ngai province, surrounded by security police after being moved there following his arrest.

Foreign Ministry spokeswoman Ho Te Lan confirmed to journalists that Quang was at that pagoda, but said he had moved there after being "requested by local nuns and monks to change the place of worship."

"As far as we know Thich Huyen Quan has never been arrested as reported," she said, adding that his health was "in normal condition."

She said Do, 68, an outspoken critic of the Vietnamese government, was being "temporarily being held in Ho Chi Minh City for implication in violation of public disorder" there, adding the authorities were investigating the case.

Human Rights Watch/Asia had reported Do was being held by prosecutors in the city after being arrested at Thanh Minh pagoda where he had been confined since returning from a decade of internal exile.

Lan rejected allegations that religion—especially Buddhism—was being repressed in Vietnam, saying the country "respected the freedom of belief and religion." But she said those using the pretext of religion to "contravene the law, sabotage the unity of religion and the course of development of the country" were violating the law and would be "denounced by public opinion."

The US congressmen—members of the Republican Party which took control of both the Senate and House of Representatives following polls last year—had asked Kiet in the letter for an explanation why the monks had been held and requested details of their whereabouts and health.

The arrests of Quang and Do were preceded by a government clampdown against the church's flood-relief efforts in November.

In 1981, the church was outlawed by the government, which accused the UBVC of "disrupting public order."

Vietnam has relaxed some religious controls in recent years but still insists that all groups come under the Fatherland Front, a Communist Party-controlled body for social organisations and religions.

Prime Minister Receives Fujitsu Delegation

BK1801161095 Hanoi VNA in English 1432 GMT 18 Jan 95

[FBIS Transcribed Text] Hanoi VNA Jan. 18—Prime Minister [P.M.] Vo Van Kiet received here today Mr Takuma Yamamoto, president of the Fujitsu Group of Japan and his entourage who are now on a working visit to Vietnam.

President Yamamoto introduced to P.M. Kiet some projects on posts and telecommunications cooperation recently agreed by his group and Vietnam's relevant agencies. These projects include the construction of an communication machine assembling and manufacturing plant in Hanoi and a plant to produce parts and assemble personal computers in Ho Chi Minh City. He affirmed that the Fujitsu Group has effectively cooperated with Vietnam in general fields, including exchanging experience and technological transfer.

For his part, P.M. Kiet welcomed the increasing cooperation between Fujitsu and Vietnam's post and telecom sector. He noted that the Vietnam-Japan friendly and cooperative relations had been fruitfully developed. The two governments had pledged to push up the cooperation between the two countries' enterprises. The Vietnamese Government supported Fujitsu's cooperation with and investment in Vietnam.

On this occasion, on behalf of the Vietnamese Government and people, P.M. Kiet expressed his sympathies with the government and people of Japan, over the great losses caused by recent earthquakes in Kobe city.

Article Views Conversion to Shareholding System

BK1901125695 Hanoi NHAN DAN in Vietnamese 29 Dec 94 pp 1, 2

[Article by Nguyen Kien Phuoc]

[FBIS Translated Excerpt] Two and a half years have elapsed since the promulgation of a government policy in 1992 to convert a number of state enterprises into shareholding enterprises (Decision No. 143/202/CT). Subsequently over 7,000 state enterprises have been rearranged and reorganized for this purpose. The number of units that have shifted to the shareholding system, however, can be counted on the fingers. Admittedly, this process is quite new for Vietnam and needs to be carried out cautiously. Too much caution, though, has turned into sluggishness.

Why Has the Call for a Shareholding System Met a Reluctant Response?

Let us take the effort to shift to a shareholding system in Ho Chi Minh city as an example. After a steering committee was set up in October 1992, two units were chosen as experimental units for the shareholding system—the Legamex Company and the Refrigeration Electromechanical Enterprise under the Ho Chi Minh City Industrial Office. Recently, the Honey Bee Corporation (under the city Agricultural Office) and the Gia Dinh Trade Corporation (under the city Trade Office) have also registered for conversion into shareholding firms. This means the number of firms converted into shareholding firms is in the single digits. A number of enterprises in the city under the control of various ministries—such as the Binh Minh Plastic Plant and the Hiep An Shoe Factory (under the Ministry of Light Industry)—are also considering the merits of this move and are finalizing plans to become shareholding firms. In reality, the Refrigeration Electromechanical Enterprise is the only company that has completed its program to shift to the shareholding system as directed by the central authorities. It has operated as a shareholding firm since October 1993. As for the Legamex Corporation, it had to halt the process of converting to the shareholding system temporarily in order to clear up its financial situation and debts. It is true that the shareholding transformation situation is sluggish. [passage omitted]

* Undermining Politics Through Literature Discussed

952E0044 Hanoi QUAN DOI NHAN DAN THU BAY in Vietnamese 3 Dec 94 p 7

[Article by Hoang Huan: "A Nonscientific View of the Relationship Between Politics and Literature"]

[FBIS Translated Text] A number of Vietnamese living in exile abroad and a few people living in the country recently adopted the view that many aspects of the relationship between literature and politics require revision. Literature is literature, and politics is politics; one cannot be superimposed upon the other. Literature, the nature of which is the product of creativity having to do with man's mind and feeling, is art and cannot be for politics. More dangerous, they loudly distorted and denied the nearly 50 years of the country's revolutionary literary achievements. They considered this literature to have been performed under imposed leadership, a kind of "literature designed in accordance with the communist state's order." As they said, "a kind of inartistic literature."

They even wrote that "One cannot accept the communists' extreme position calling any word and deed, no matter how small, a political act;" that "Literary workers cannot accept any political ideology (meaning communism—author's note) that has been broken in terms of its theories and denied by the reality;" and that, "The life of

the Vietnamese nation during the past war was insignificant. If the country's literature reflected that war in an extreme manner, it should be worthless in terms of art."

As they pretended to be objective, they also analyzed the realm of literature as it had to do with such relationships as those *between writers and politicians, between politicians and literature, the permanent value of nonpolitical literature, and so on.*

Why did they do that?

The objective truth was that in recent years, in the fierce events of the world situation, socialism collapsed in Eastern Europe and the Soviet Union. Capitalism, with the United States being its leading power, has been resolutely pursuing the "peaceful evolution" strategy as it was determined to "smoothly" wipe out by the year 2000 all the communist states (including Vietnam) that still remained on earth. It meant that they promoted democracy through acts of change aimed at transforming the communist economic structure and legal and political systems into multiparty and pluralistic ones in order to gradually turn socialism into capitalism. Within the past year, under the Clinton administration, the core of a new doctrine has been taking shape to move forward more strongly this "peaceful evolution." That was the strategy of "expansion," imposing the U.S.-styled democratic institution, the U.S.-styled market economy, and the U.S.-styled culture on all nations. In addition, various international political forces have lent support to a number of revengeful reactionaries in the Vietnamese communities living in exile abroad to undermine and destroy the revolution in the country. Because of their political ambitions and because of money, they were madly fighting and destroying us. More specifically, they made themselves known loudly in the cultural and ideological field, including the field of literature. On the other hand, in recent years, our party and state were pursuing the renovating efforts, the total renovation of the country in all economic, political, cultural, and social fields, for the purpose of building a prosperous and strong nation and a just and civilized society. In this correct renovating effort, we advocated closing the past, turning to the future, and being a friend of all nations so as to have peaceful coexistence and mutual development. Taking advantage of this current event, some people in the country have adopted the view that a reexamination of all historical, philosophical, and literary issues that had appeared should be in order. Among these people there were those who are intellectuals and whose educational background and career are solid but wanted to express themselves because of their political ambitions. Others expressed themselves because of their distorted concept coupled with their limited view on life and world outlook. Still others developed such wrong views because of their own "self." Again others wanted to join the chorus in order to show that they were "sensitive, dynamic, and responsive to current events." Our attitude is to firmly state that we cannot accept the view on nonpolitical literature and the

denial of the nation's literary achievements, which include those of the revolutionary literary currents, because of the following reasons:

First of all, for any national community and any nation to exist it must wage three wars: *the war against nature; the war against foreign aggression; and the war against the internal forces that seek to destroy social ills, to destroy the bad and the evil right within one's own community, in order to move toward "the true, the good, and the beautiful," progress, and development.* Literature, which is a product of the intellect and the pressing need of the soul and life, must inevitably reflect the realities of the nation's community life. This points to the fact that literature, by its nature, is political. The political aspect here is the individualistic character of the true, the good, and the beautiful, and mankind's true eternal law. And the 30-year war that we had conducted against foreign aggression was only a part of the nation's entire developmental history. It continued the nation's traditions of patriotism and heroic exploits. It was history. The revolutionary literature has also reflected this reality.

Secondly, the fact that literature serves politics means it serves the great majority of the working people and the nation, rather than politics in a general sense or any individuals engaged in politics. The literary life has affirmed this fact. Any nation has its own literature consisting of a folkloric component and an academic (in-written-form) one. The folkloric literature reflects the soul, character, and socioesthetic ideal of the national community. The academic literature develops itself on this basis. It is obvious that it is impossible to separate the material life from the spiritual life of a national community. Therefore, literature bears the profound political character of each and every stratum in this national community. When Marxism-Leninism was born to reflect mankind's finest progressive ideal and objective, it strongly asserted that literature would be of political character. Politics would guide literature, and literature would serve politics, in order to ensure the legitimate interests of the working people and of the nation.

As we look into the Vietnamese literary life, we can easily see this fact. The folkloric literature, with abundant types and styles (proverbs, folk ballads, mythological stories, fables, humoristic stories, and so on), bespeaks the aspirations of various strata of the national community to be the masters of nature and of society. The same with the in-written-form literature. The latter naturally is the combination of many currents. Our country's contemporary and modern literature reflects it even more clearly. In addition to the revolutionary literary currents in both the North and the South reflecting the 30-year war for our people's right to live, we had the literature of slavery created by colonialism and neocolonialism in the South in the 1954-1975 period. This fact in itself constitutes proof that literature has a profound political character. The view that says literature and the arts in general, and literature in

particular, stand above any political tendencies is specious reasoning, which is often used to hide a reactionary political tendency serving a certain political design.

We must add here that as we deal with the relationship between politics and literature, we must see the scope of the latter. Although literature is broad in scope, it has its own limits. In the past, they used to divide literary works into major categories, such as poetry, prose, research, and critical comment, and to include philosophy and history. Today, in western countries, they also claim spaces for broadcast literature, television literature, movie literature, printed news literature, magnetic tape literature, and so on. Although the scope of literature is more and more broadened everyday, according to a determination by the public, readers, and most literary critics, literature covers the entire creative field: poetry, prose, theater, and so on. And it is true that this creative field, with its scope and function, has made very great contributions to the spiritual life of a national community.

Let us return to our topic. We have found an undeniable objective reality, namely, in our literature in recent

years, although there were aspects that had not been developed in a way commensurate with the scope of our nation's construction and defense of the fatherland, specifically there were no masterpieces which outstandingly reflected the scope of the war of liberation for independence and freedom that guaranteed the nation's existence. On the other hand, the literary types and styles had not developed evenly and some of them had ceased to progress. However, we have affirmed that our literature did reflect the abundant and harsh revolutionary reality of a national historical stage. It made great contributions to mobilizing and arousing the people's true patriotic spirit as they rose up to fight foreign aggression and to destroy the shackles of slavery to win back their right to live and the right to be human beings and to be equal with other peoples. At the same time, it contributed to enriching the soul of the Vietnamese, building the Vietnamese cultural colors, and moving toward perfecting *the true, the good, and the beautiful*.

Anybody who intentionally denies it is nonscientific and unobjective and will be subject to the judgment of history.

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